COMMERCE AMERICA
FORMERLY COMMERCE TODAY

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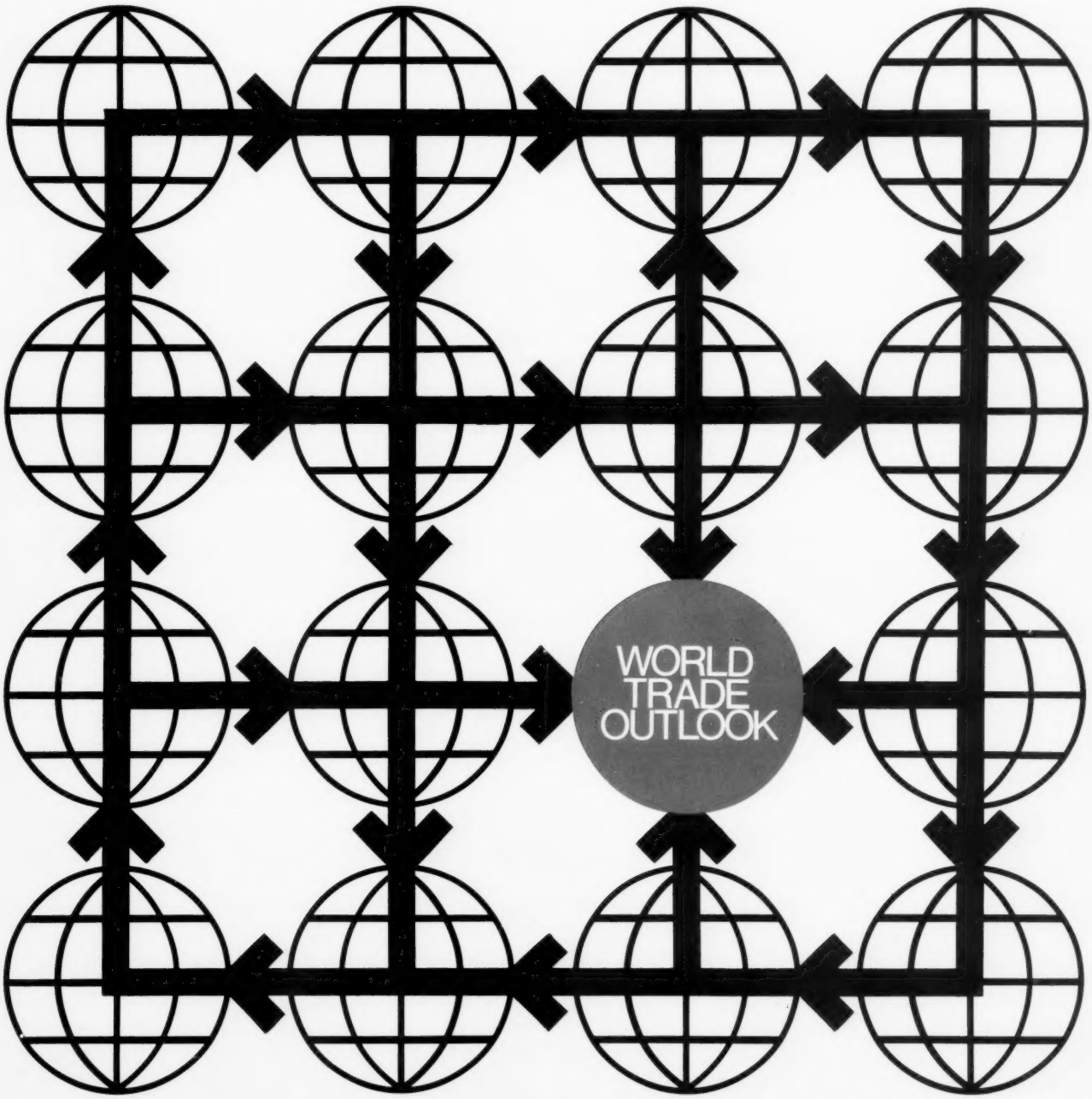

Newsmemo

U.S. action to slow down the worldwide export credit race is getting important support. The Eximbank recently took a leadership role by setting more stringent conditions in the area of cash payments and repayment terms. Since the June announcement at least four important competitor nations, Canada, Germany, Japan and the United Kingdom, have stated that they will adhere to similar guidelines. The goal of this effort is to bring official export financing practices closer to market standards. The new U.S. guidelines are in effect on a trial basis through next June 30.

A group of 17 top-level executives will advise government officials on U.S. controls over strategically-sensitive exports. The unit was established by the President's Export Council. Its task, in the words of Council chairman Fletcher L. Byrom, is to help the government "deal realistically and effectively with the problems of the business community regarding export licensing as affected by national security and foreign policy considerations. In-depth consultation on existing Commerce Department export control activities will be an integral component of the subcommittee's effort." The electronics, computer and machine tool industries are strongly represented. First meeting is Aug. 4.

The Bicentennial has given U.S. businessmen working in the Latin American nations an opportunity to make an important point. A detailed 200th Birthday statement by the Association of American Chambers of Commerce in Latin America provides a chapter-and-verse explanation of the benefits that American investment has brought to the entire hemisphere. A conclusion is underlined: "The jobs and income generated by the investments in U.S. manufacturing affiliates and by the affiliates' subsequent production expenditures have been important supplements to the jobs and income of many Latin Americans, particularly in the lower income groups." The association has 15 chambers with 8,500 members who have day-to-day contacts with their Latin counterparts.

Such defenders of multinational corporate activity still have a long way to go in reaching public opinion, however. As a case in point, note the reactions at foreign policy forums held in the West this spring. The California Council on International Trade observed with dismay that at such meetings "the multinational corporation was characterized as responsible for a large number of global woes by diverse non-business sectors of the public." The Council quoted host State Department officials as commenting: "In San Francisco, as in Portland, MNC's were the target for numerous expressions of outrage. Without differentiation (and virtually without defenders), they were labeled the villains of the underdeveloped world, exploitative and unconcerned."

Criticism of multinational corporate activity grows out of a murky informational background. H. Edwin Robison, whose Stanford Research Institute recently did a major study of foreign investment in Mexico, refers to "sheer ignorance about the economic impact of MNC's on both the home and host countries." His institute had been commissioned by the American Chamber of Commerce in Mexico to make the study. The Chamber had found a serious vacuum of knowledge in local academic, financial, governmental and even business circles about the influence and role of foreign-affiliated firms on the Mexican economy.

A set of voluntary guidelines for MNC's recently adopted by the major industrialized nations can be a positive step in this area. The action by the Organization for Economic Cooperation and Development put 23 governments on record with important recommendations for business conduct. Covered are such fields as disclosure of information, competition, financing, taxation, employment, industrial relations, science and technology. Though compliance is voluntary, the guidelines can be expected to exert persuasive pressures, both on multinational firms and host nations.

Establishment of these guidelines has won favorable notice from a major U.S. business unit. The USA-Business and Industry Advisory Committee, whose member associations include the Chamber of Commerce of the U.S. and the U.S. Council of the International Chamber of Commerce, is urging careful study of them and asking members to cooperate fully with U.S. Government officials in promoting understanding of them.

COMMERCE AMERICA
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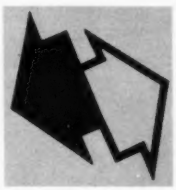

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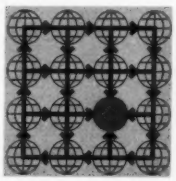

COVER: This special issue provides summaries of current economic conditions and the outlook for U.S. sales in major trading nations. Information is from recent reports by U.S. Commercial Officers around the world, as analyzed by Commerce Department specialists in Washington.

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ECONOMIC HIGHLIGHTS

VITAL FACTOR IN ECONOMIC OUTLOOK:

Vigorous Productivity Growth

This column is written by John W. Kendrick, Chief Economist of the Department of Commerce. Productivity was one of Dr. Kendrick's main fields of research before he accepted his Commerce post; he plans to discuss other aspects of this subject in future articles.

John W. Kendrick

In recent years, Americans have become increasingly aware of the importance of increasing productivity. Most of us now understand that increasing output in relation to hours worked and to other resources, or "inputs" used in production, has a number of beneficial results. Two of those results are especially pertinent to the current economic situation and to the years immediately ahead: (1) productivity advance is the chief source of rises in labor compensation, in real terms, and thus of rising purchasing power per capita; and (2) productivity advance has an anti-inflationary effect since it is an offset to increases in wage rates and other input prices, and thus helps hold down the costs of production.

It should be noted, however, that progress on the productivity front, like any other change, can have some disadvantages. Cost-reducing technological innovations, the chief source of long-run productivity gains, may cause displacement of labor, early obsolescence of capital, or other undesirable effects in particular occupations, industries, and geographical areas. The most serious effect, the displacement of labor, generally should be temporary if there are aggregate-demand policies to promote a high level of employment, as well as appropriate retraining and relocation measures such as those provided in the Comprehensive Manpower Training and Development Act of 1973.

Productivity, defined here as output per hour, plays a crucial role in the wage-cost-price relationship. The essential point is that increases in output per hour (O/H) reduce the impact of rising average hourly compensation (W/H) on unit labor costs (W/O). In simple terms, unit labor cost equals average hourly compensation divided by output per hour (W/O=W/H÷O/H). For moderate rates of change, the relationship is basically additive. That is, the percentage change in unit labor costs is composed of the percentage increase in average hourly earnings minus the percentage increase in output per hour. Since labor cost is the major part of national income, labor cost per unit of output is the most important influence from the supply side on prices of final products.

The movements of these basic variables since 1947 are summarized in the table in terms of average annual rates of change in the private economy. For almost two decades, from 1947 to 1966, output per hour rose at an average rate of 3.4 percent per year. Average hourly labor compensation increased 5.2 percent per year. Unit labor costs rose by less than 2 percent a year since productivity growth offset more than half of the effect of wage increases. Prices rose by a bit more than 2 percent a year, reflecting a somewhat faster rise in business taxes and other nonlabor costs than the increase in labor cost. Inflation reduced the growth of real average hourly earnings to 3.0 percent per year, close to the rate of increase in productivity for this period.

Trends in productivity and real average hourly labor compensation (that is, earnings adjusted for price changes) are virtually parallel, as depicted in Chart 1—an indication that labor compensation has remained a relatively constant share of gross product.

Between 1966 and 1973 (the most recent peak of the business cycle), the picture changed significantly. The trend rate of productivity advance slowed to 2.1 percent a year, while the rate of increase in average hourly earnings accelerated to 6.9 percent. Consequently, unit labor cost increases accelerated to a 4.7 percent average annual rate. Prices rose somewhat less than unit labor costs in this period due mainly to macroeconomic policy. That policy, while designed to slow inflation, also squeezed profits. Thus, real average hourly earnings rose by 2.5 percent a year, a bit more than labor productivity, but at a lower rate than in the earlier era of faster productivity growth.

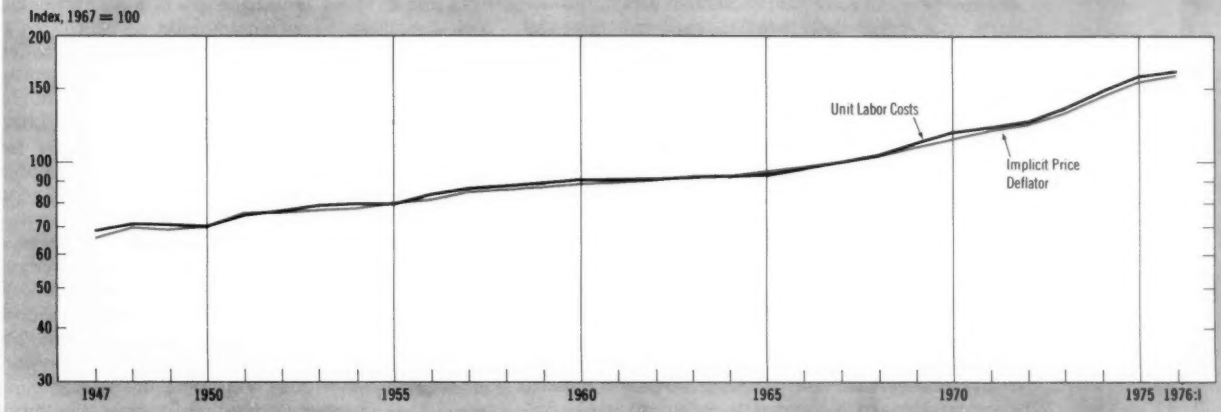
In the recession year of 1974, productivity declined for the first time in 25 years. At the same time, average hourly labor compensation accelerated to 9.4 percent. With productivity declining, unit labor costs rose into the double-digit range. Prices did not rise quite as fast since profits declined sharply, but the increase was enough to reduce the purchasing power of wages by 0.2 percent.

After the first quarter of 1975, the picture brightened as the economy rebounded from recession. For the year, average productivity was 1.3 percent above 1974. Although average hourly labor compensation rose almost as fast as in the previous year, the productivity gain moderated the increase in unit labor costs. Prices rose somewhat more than unit labor costs as the economic expansion permitted a widening of profit margins from the recession low. Real earnings sagged further as prices again rose a little more than average earnings.

The situation continued to improve in successive quarters in 1975. By the first quarter of this year, output per hour was 5 percent higher than the first quarter of 1975. This rate is well above the long-term trend but it is not unusual for a recovery period when an increasing proportion of productive capacity is being utilized. The rate of increase in average hourly labor compensation decelerated to 7.4 percent. Unit labor costs decelerated much more, to only a 1.7 percent increase. Prices rose more than unit labor costs as profit margins continued to recover. Nevertheless, real earnings were on the upswing—by a healthy 2 percent.

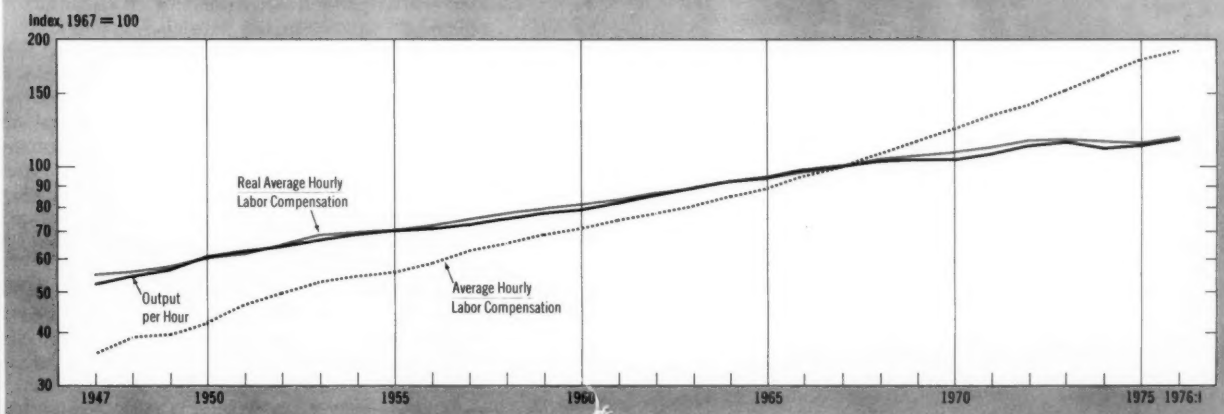
Even though slower expansion in the second quarter of 1976 was associated with a smaller increase in productivity, there is reason to believe that developments will continue relatively favorable well into 1977. There is still more excess plant capacity and unemployed labor than is typical at this stage of recovery, due to the severity of the recent recession. Based on past relationships, it seems likely that real product per hour will continue to increase somewhat above the trend-rate. There is also no evidence of acceleration in average hourly labor compensation; in fact, the rate of increase has come down somewhat as price inflation has decelerated. If increases in average hourly labor compensation remain in the 7-8 percent range, and productivity advances between 3 and 4 percent during the coming year, price increases should hold in the 4 to 6 percent

Unit Labor Costs and Prices 1



Note: Data refer to U.S. private domestic economy.
Source: Bureau of Labor Statistics and U.S. Department of Commerce.

Average Hourly Labor Compensation in Current and Constant Dollars and Output per Hour 2



Note: Data refer to U.S. private domestic economy. Compensation deflated by implicit price deflator for private domestic GNP.
Source: Bureau of Labor Statistics and U.S. Department of Commerce.

range—a big improvement over the double-digit rates of 1973-74. This assumes that there will be no major upsurge in prices of farm products and major raw materials, domestic or imported. Prospects presently appear favorable on this score.

We will come to a fork in the road, however, by late 1977 or 1978. The above-average productivity gains associated with recovery will be coming to an end. Then the question is: Will productivity advance return to the subnormal 1966-73 trend-rate of about 2 percent a year, or can we resume the 1947-66 trend advance of better than 3 percent? This is an important issue, since the higher rate would provide more help in holding down inflation, and make possible stronger advances in real income per capita, a prime goal in every economic system. ☆

Productivity, Labor Costs and Prices
U.S. Private Domestic Economy
(Percent Change at Annual Rates)

	Output	Output per hour	Average Hourly Labor Compensation	Unit Labor Costs	Implicit Price Deflator	Real Average Hourly Labor Compensation
1947-66	4.0	3.4	5.2	1.8	2.1	3.0
1966-73	3.5	2.1	6.9	4.7	4.3	2.5
1973-74	−2.3	−2.6	9.4	12.3	9.6	−0.2
1974-75	−2.5	1.3	9.1	7.7	9.3	−0.2
1975:I–1976:I	7.8	5.6	7.4	1.7	5.3	1.9

Source: Bureau of Labor Statistics and U.S. Department of Commerce.
Note: The estimates were prepared prior to the July 1976 revisions of the GNP estimates.

TRADE FORECAST

U.S. Export Growth Expected To Quicken; Imports Lead Pace

United States trade is expected to remain in deficit in the final six months of the year despite prospects for some further pickup in exports. Assuming that the U.S. economy grows at the officially projected rate of 6.8 percent in real terms for the full year, imports will continue to be stimulated in the second half. Exports, which began to rise again in the second quarter, should pick up further, chiefly because of expanding economic activity expected in the industrial countries, the major markets for U.S. products.

The export increase foreseen in coming months should raise the dollar value total for the year moderately above the 1975 level. The continued growth projected for imports implies a substantial expansion over last year's total. If these trends materialize, there would be a trade deficit on the f.a.s. (free alongside ship) valuation basis of relatively modest size, and a much larger imbalance when freight and insurance are included in the import value. Two-way trade now exceeds $200 billion annually, and small shifts in the expected rates of growth for exports and imports could result in substantial fluctuations in the balance. Consequently, the difference between trade outflows and inflows is difficult to measure in specific amounts.

In the first six months, exports were running at a seasonally adjusted annual rate of $111.1 billion, 4 percent above last year's total. Imports, valued f.a.s., climbed to $113.2 billion, an 18 percent expansion from the 1975 level. The merchandise trade balance shifted to a deficit of $2.1 billion from the record f.a.s. surplus of $11.0 billion last year. Using c.i.f. (cost, insurance, freight) valued imports of $121.7 billion for January-June at an annual rate, the deficit was $10.6 billion.

The relatively modest expansion in exports so far this year reflected the moderate growth in sales to the developed countries, despite a considerable rebound in their industrial production from the lows recorded during the recession. U.S. export growth has also been limited by a slowdown in deliveries to the oil-exporting developing countries. These exports may have been affected in part by difficulties in absorbing the huge increases in supplies ordered from abroad in 1974-75. Furthermore, the non-oil LDCs reduced their purchases in recent months as a result of their lower export earnings last year.

The size of the increase in exports in the second half will depend heavily on the strength of the economic recovery in the developed countries. One uncertainty involves the Western European economies, where it is unclear whether investment spending will be strong enough to sustain a strong recovery once the effects of restocking and the upturn in consumer spending diminish. Sales to Japan were slower in the first half of 1976 than the favorable economic developments in that country would have indicated, but a pickup recently may point to stronger exports in the final six months.

The forecast for continued economic gains in the United States suggests further growth in arrivals of petroleum and other industrial supplies. The rate of increase in imports of consumer goods, however, may slow, should the rise in consumer spending taper off. If growth is sustained in U.S. capital equipment expenditures, machinery imports may accelerate.

Machinery shipments to pick up

The anticipated continuation of economic expansion abroad in the remainder of 1976 should provide a gradually improving climate for U.S. sales of machinery, which account for more than one-third of our nonagricultural exports. In the first half, machinery shipments exceeded the level in the comparable period of 1975 by 10 percent, but they were only slightly higher than last year's second half as a result of the investment slump in foreign industrial countries which only recently showed signs of ending. If requirements increase as expected, however, growth in this major export sector should accelerate in the second half of the year. The expansion would help to compensate for

less vigorous exports to the oil-exporting LDCs, which accounted for most of the rise in machinery sales in 1975.

U.S. exports of automotive products to Canada should continue to climb in the second half, buoyed by shipments of parts for assembly into cars for the U.S. market. Deliveries of motor vehicles to other destinations, however, are likely to drop below last year's value because of a fall in truck exports. These had surged to Iran in 1975. Civilian aircraft exports, which had declined by 14 percent in January-June from the first half of 1975, are expected to remain sluggish for the remainder of the year as a consequence of weak demand and lengthened delivery schedules for large transport planes. Military aircraft exports also declined this year, but given the large orders on hand from Near East countries, shipments are likely to rise in coming months. Exports of aircraft parts can be expected to record a further increase in 1976 as they have each year during the past decade.

The upturn in foreign industrial production, which began generally in mid-1975, stimulated an increase in sales of a number of industrial materials which has continued this year. Shipments of organic chemicals and plastic materials rose strongly in the first six months, and the expected pickup in world demand for consumer and industrial products should sustain export growth in these items.

Shipments of steel, on the other hand, fell in the first half. While sales may rise somewhat as demand gradually strengthens, the year's total will be well below 1975. Similarly, coal deliveries will probably gain momentum in the final half, but for the year as a whole will show a decline.

Farm sales may be lower

Exports of agricultural products, after declining fractionally in 1975, may show another small decline. Overall, the volume of farm shipments will be higher than in 1975, but lower average prices could result in a reduction in the value. Based on current production estimates, world supplies of farm commodities will generally be improved over last year, thus contributing to downward pressures on export prices. Demand abroad is expected to remain relatively strong, however, especially for corn and soybeans, as the economic recovery increases meat requirements and the drought in France, Britain, and other West European countries reduces local supplies. The total value of grain and soybean sales from the 1976 crop to the USSR is yet to be determined, but recent announcements indicate that the value of agricultural exports will be boosted by these deliveries toward the end of the year. Foreign demand for U.S. cotton has strengthened recently as a result of the recovery in textile production abroad. Second half shipments will increase, but the year's total may not exceed that of 1975.

Imports to rise

The continued expansion of imports in the second half will be led by larger amounts of petroleum and other industrial supplies. Demand for these goods reflects further expected growth in U.S. industrial production and sustained improvement in residential construction. The higher level of petroleum imports will result both from increased demand for, and lower domestic production of, crude oil. The value will also be boosted by slightly higher prices as a result of strengthening worldwide requirements and shifts in the quality of oil imports. No official price increase by OPEC countries is expected this year. Natural gas receipts from Canada will also increase in value following the 12 percent price advance effective in September.

Steel imports will continue to expand, largely as a result of increased demand for sheets used in the production of autos and other consumer durables. Larger requirements related to production of cars and to construction, along with projected increases in prices, will result in buoyant imports of copper. The pace of home building will continue to provide a demand for softwood lumber from Canada, while inventory rebuilding will be an important factor in expanded imports of Canadian newsprint.

After leading the recovery in imports in the last 12 months, arrivals of consumer goods as a group are projected to expand at a somewhat slower rate in the remainder of the year. Demand for American-type passenger cars from Canada, which advanced strongly in the first half, will continue to grow throughout the year. Unless consumer demand for the smaller autos from other countries rises substantially, however, those imports are not expected to expand in the second half. Most of the import increase for foreign cars in January-June was used to rebuild depleted inventories, as sales dropped off from last year's pace.

Reflecting somewhat greater domestic expenditures for plant and equipment, imports of capital goods are projected to continue the advance begun in the final quarter of last year. Boosted by higher average prices and moderate increases in volume, the value of food and beverage imports should also continue to advance through the year. ☆

Current economic conditions and the outlook for U.S. trade in the majority of countries with which U.S. firms do business are presented on pages 6-48. The 68 regional and country summaries are based on up-to-the-minute reports from U.S. Foreign Service posts and other sources. Data on U.S. trade with selected countries not detailed in separate articles are presented in tabular form on Page 48.

CANADA

Recovery Is Continuing, But At Moderate Pace

Canada's economy will continue to gain through the remainder of 1976, according to Kenneth Fernandez of the Bureau of International Commerce, though at a somewhat slower pace than in previous recoveries. Growing consumer outlays, particularly for non-durables and services, increased residential construction, growing demand for Canadian exports in the U.S. market and a resurgence of inventory accumulation following a period of heavy depletion during the early months of the year are expected to point the way.

For the first quarter of 1976, the seasonally adjusted Index of Real Domestic Product rose 1.7 percent; the adjusted Index of Industrial Production increased 2.5 percent. Recovery was sluggish in the final months of 1975, with labor disputes and relatively minor advances in the manufacturing sector acting as a drag on the economy. However, most of the labor disputes in the forestry industry and the pulp and paper mills ended during the first quarter of 1976, boosting output in the latter sector by 27 percent in the quarter. With an increase in consumer spending, manufacturing, particularly of non-durables, is showing strength and the recovery appears to be accelerating.

Forecasts of economic activity for 1976 by The Conference Board in Canada, which are in general agreement with those of other institutions, are calling for an increase in GNP of 14.5 percent to C$177.2 billion in current dollars (or a rise of 4.9 percent in constant 1971 dollars), a rise in the Consumer Price Index of 9.0 percent and housing starts at 240,000—up 3.7 percent. Unemployment is expected to hold steady at 7.7 percent, an unacceptably high level in a growing labor market.

January-April imports from the United States of C$8,457.1 million (68.9 percent of total imports) were up 29.6 percent in value over the same period in 1975. Exports of C$8,157.8 million (69.4 percent of total exports) were up 25.5 percent, yielding a four-month trade deficit with the United States of C$299.3 million, according to Canadian trade data. Total imports from all sources were C$12,272.9 million; exports were C$11,754.6 million, leaving a net deficit of C$518.3 million.

Capital investment has been one sector of the Canadian economy which has moved contrary to the general trend of business conditions in recent years, growing in value terms in 1974 by 23.4 percent and in 1975 by 16.6 percent while GNP was advancing by only 17 and 9.8 percent. Capital spending by all sectors during 1976 is expected to reach C$41,954 million, a rise of 10.4 percent over 1975.

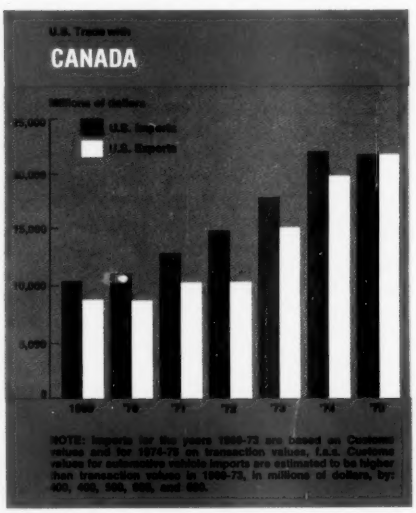
Intended capital expenditures on new construction in 1976 are estimated at C$26,810 million—up 12.2 percent over 1975. Residential construction in 1976 at C$8,614 million and non-residential at C$18,196 million are projected to be up 21.6 and 8.2 percent, respectively.

New machinery and equipment acquisitions in 1976 are expected to rise just 7.4 percent to C$15,144 million. Expenditures rose 16.4 percent in 1975 and 25.3 percent in 1974. Capital construction spending intentions by the business community are projected at C$26,284 million —up 8.6 percent over last year, while construction intentions of institutions and government departments are estimated at C$7,057 million, an advance of only 5.2 percent.

Mining, petroleum and gas firms furnish one bright spot for 1976 for new installations. Programs totaling C$3,453 million—up 31.7 percent—are projected, due mostly to expenditures by the metal mining group and by the petroleum and gas industry in conventional and oil sands development.

Although continued high inflation and uncertainty regarding the effects of the Anti-Inflation Program (A.I.P.) introduced last October may be partially responsible, the reasons for the fall in capital expenditure intentions despite economic recovery are not clear. Rising labor costs and lower rates of productivity relative to those found in the United States would usually spur higher expenditures for more efficient labor saving equipment—and this may yet occur once current uncertainties settle out.

Canadian unit labor costs in manufacturing rose nearly 30 percent from 1970-1974, while unit costs rose only 10 percent in the United States. This trend has continued through the present; however, the wage guidelines under the A.I.P., permitting maximum increases in the first year, with certain exceptions, of only 12 percent, have had a moderating effect on wage settlements. A Canadian Department of Labor analysis of 116 major collective bargaining settlements concluded during the first quarter of 1976 showed an increase in average base rates in the manufacturing industries of 11.7 percent over the life of the contract. Comparable rates of increase in previous quarters were: 2nd quarter 1975, 15.7 percent; 3rd quarter 1975, 12.4 percent; 4th quarter 1975, 14 percent.



U.S. exports to Canada are nearing the $25 billion mark annually, greater by far than to any other country. Canada is seeking to broaden its trade ties with the EEC, Japan and other countries. This policy involves no discrimination against imports from the United States and is not likely to affect trade patterns significantly, but aggressive and modern marketing methods will need to be employed to retain the present United States market share.

Spiraling labor costs in 1975 had the effect of heightening interest in U.S. sources of supply, and now the recent upward trend in the value of the Canadian dollar helps offer comparative advantages to U.S. exporters in many fields: heat and energy systems; food processing, packaging and bottling machinery; metalworking and electrical machinery; hardware supplies; and yarns, fabrics and clothing. In Quebec more interest in U.S. sources for building equipment, machinery and supplies has also been noted.

On the west coast, the depressed state of British Columbia's two major industries, forestry and mining, slowed the need for capital equipment temporarily, but with the stimulus from the pickup in the economies of the United States and Japan, and the resolution of longstanding labor disputes in the pulp and paper industries, additional capital equipment will be in demand. The purchase of pollution control equipment to meet environmental standard deadlines seems not to have suffered greatly and continues to provide an interesting market for U.S. exporters.

Sales of household appliances and furniture are likely to rise in step with the anticipated increase in housing completions in 1976. Auto sales, which have shown little growth since 1975, are also expected to register a modest increase.

After several bad years, machine tool makers for the auto industry, particularly in Ontario, are now optimistic. Demand by the Canadian industry for sophisticated numerically-controlled machine tools, operated by computers, magnetic or paper punch tapes, is gradually rising. Makers of electrical equipment, off-the-road vehicles for the mining industry and valves for the petrochemical industry are also seeking more efficient machine tools.

TRADE WITH LATIN AMERICA VARIES WIDELY BY COUNTRY

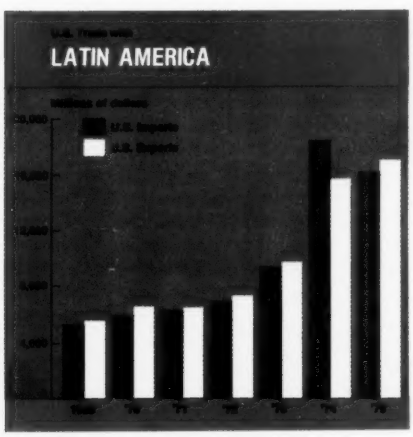
Growth, Inflation, Payments Pictures Improve

U.S. exports to Latin America are expected to grow a nominal 2 percent from a total of $17 billion in 1975 to about $17.5 billion in 1976. The distribution of this increase varies widely from country to country, from a substantial drop of 30 percent in the case of Peru to a hefty increase of 34 percent for Colombia.

Irene Johnson of the Bureau of International Commerce reports that Venezuela, Colombia and the Central American Common Market (CACM) will remain attractive markets for U.S. exporters. Exports to Mexico, the top U.S. market in Latin America, are anticipated to increase moderately, while Brazil, our second major market, will show a moderate decrease. Significant decreases are predicted for Argentina and Peru. Jamaica, the second largest market in the Caribbean, is also expected to show a sizable decline. It is expected that the United States will maintain its share of the market in most countries.

U.S. exports to Venezuela this year are forecasted to rise by 12 percent to $2.5 billion. Its development plan, which calls for $52 billion in investments for the 1976-80 period, coupled with acceleration of other economic activities, should offer a variety of sales opportunities for U.S. traders. Exports to Colombia may reach $860 million, an increase of 34 percent. Very favorable world coffee prices have resulted in record foreign exchange reserves and a strong balance of payments position. Import restrictions have been relaxed and duties lowered, making this market much easier to penetrate.

Sales to Brazil will probably decline to $2.9 billion, a 5 percent loss, as a result of import restrictions implemented to improve its balance of payments position and trade imbalance.



U.S. shipments to Chile may reach $550 million, a 3 percent increase. In mid-year 1976 Chile began to emerge from the recession of 1975, and a large balance of payments surplus is resulting. Copper prices are up and continued liberalization of imports will attract U.S. suppliers.

U.S. sales to Ecuador will probably reach $440 million and to Bolivia $145 million, an increase of 6 and 5 percent, respectively. Peru is clouded by economic problems, balance of payments deterioration, currency devaluation and imposition of strict import and exchange controls. U.S. exports are anticipated to decline from the $904 million in 1975 to $630 million in 1976, a 30 percent loss.

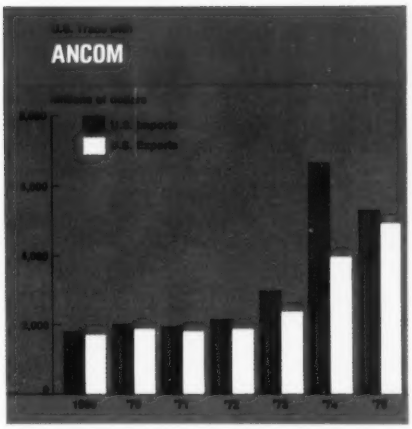
Mexico is recovering slowly from the effects of the worldwide recession. U.S. exports to Mexico are expected to rise moderately to $5.4 billion in 1976, a 5 percent rise over the previous year. Sales to the CACM and Panama may reach $1.4 billion, up 11 percent from 1975, indicating that the region is in need of restocking inventories which were allowed to dwindle in 1975. Growth rates in the Central American countries appear to be returning to their former high levels.

U.S. exports to Argentina in 1976 may decline by 28 percent to $450 million. This is due to the continuing Argentine recession and the imposition of severe import restrictions on capital goods.

Shipments to the Caribbean will remain at about the same level as 1975, when $2 billion was recorded. The Dominican Republic is faced with serious electric power shortages. The serious deterioration in all sectors of the Jamaican economy will greatly reduce its imports.

A continuing increase in Latin America's total imports is foreseen, but at a slower pace. The worldwide inflation caused by high petroleum costs appears to be decelerating in most countries of the area. An expanding market for U.S. capital goods and prime materials is assured, and the economies of the area are expected to show improvement in the second half of 1976. U.S. interest in investment in the area continues, especially in the manufacturing industries.

Market promotion by the U.S. Department of Commerce will be dramatically increased in 1977. A new Trade Center will be constructed in Sao Paulo to take advantage of the long-term growth of the Brazilian market. In Venezuela, a new exhibition facility will be ready for the opening event of the new two-year "Sell in Venezuela" marketing campaign.



ANCOM

U.S. Suppliers Still Find Strong Market Demand

U.S. exports to the Andean Common Market (ANCOM) are expected to increase by about 5 percent to $5.1 billion this year. This would be a more moderate rise than the huge 23 percent registered in 1975, when U.S. exports rose by a whopping $918 million, according to Herbert A. Lindow of the Bureau of International Commerce.

Principal factors in the continuing good outlook for U.S. sales are: 1) large balance of payments surpluses in Venezuela and Colombia; 2) Venezuela's development plan calling for $52 billion in investments for the 1976-80 period; 3) the continuing liberalization of imports in Colombia and Chile; 4) the generally good competitive position of U.S. goods despite tough third-country competition; and 5) GNP growth rates which are expected to be relatively high in most ANCOM countries with the exceptions of Chile and Peru.

The ANCOM nations did not meet deadlines at the end of 1975 for affecting further duty reductions and determining the level of the Common External Tariff. However, new deadlines have been established as follows: for goods not subject to sectoral development plans or on exceptions lists, remaining duties will be reduced in six annual successive reductions of 7 percent beginning Dec. 31, 1976; a final reduction of 8 percent is to take place on Dec. 31, 1982. The Andean Commission will approve maximum and minimum levels for the Common External Tariff (CXT) not later than Dec. 31, 1977. On Dec. 31, 1978, the process of achieving appropriate (CXT) levels will begin. The CXT will be fully in force on Dec. 31, 1982, in Colombia, Chile, Peru and Venezuela, and in 1987 in Bolivia and Ecuador. Progress in revisions of the

Andean Foreign Investment Code and in Sectoral Programming is still anticipated in 1976.

Bolivia—The economy grew by 7 percent last year and a further 7 percent increase is anticipated this year. Favorable international prices for Bolivia's chief mineral export, tin, are contributing importantly to an improving economic situation. Strong private and public investment is expected, with some 300 investment projects to be implemented. These projects are in petroleum refining and petrochemicals, minerals processing, road construction, railroad rehabilitation, electrification, small industries and agriculture.

Chile—U.S. exporters should continue to do well in the Chilean market during the remainder of 1976, with exports at about the same level—$553 million—as in 1975. In early July there were signs that the country was beginning to emerge from the deep recession of 1975. An unexpectedly large balance of payments surplus of $250 million was registered for the first five months of 1976; copper prices were close to two-year highs; import liberalization continued to move forward; and in June, import duties were reduced for the seventh time since 1974.

The Santiago International Trade Fair (FISA) will be held Oct. 28-Nov. 14. The event is the only trade fair in Chile of general interest to U.S. exporters. U.S. firms interested in displaying their wares at the Fair may obtain assistance from the Commercial Attache, U.S. Embassy, Santiago.

Colombia—Prospects are excellent for substantial increases in U.S. exports, which are estimated to rise from $643 million in 1975 to $860 million in 1976, up 34 percent. Record foreign exchange reserves, spurred by very favorable world coffee prices, combined with recovery in the industrialized nations, are causing the Colombian export sector to lead the economy back to a healthy 6-7 percent growth. Based on a strengthened balance of payments position the government has recently removed the advance deposit requirement for imports, lowered many duties and transferred a large number of imports including industrial machinery and equipment to the "Free List", thus eliminating the need for prior license approval.

U.S. exporters will find particularly attractive markets in electric energy systems, agricultural machinery, construction equipment, telecommunications equipment, and a broad range of capital goods and business equipment.

Ecuador — The remainder of 1976 should be a fairly good year for U.S. suppliers, particularly those who provide capital goods, raw materials and construction materials. Although the import boom of 1972-74 when imports about tripled is over, total imports should approach $1 billion. U.S. exports are estimated at $440 million.

Development projects under way or planned of primary interest to U.S. suppliers include irrigation, hydroelectric power, land drainage, dam construction, flood control, grain drying and storage facilities, electric energy generation and transmission, airport construction, highway construction, port expansion, railway modernization, fishing complex development, petrochemicals, and health centers.

Peru—In mid-1976 Peru is beset by economic problems auguring substantially lower levels of trade for the remainder of the year and possibly into 1977. Faced with serious balance of payments problems the Peruvian Government moved in late June to devalue the sol from 45 to 65 soles per dollar. It also imposed stricter import and exchange controls, new taxes, tightened government spending and announced a variety of other economic austerity measures.

Consequently, U.S. exports are forecast to decline some 40 percent from the extremely high levels reached in 1975.

For the longer term, U.S. suppliers should note project loans recently received from international financial institutions. These include a World Bank loan of $76.5 million for highway improvement and Inter-American Bank loans for $37.6 million for highway construction, $32.2 million for expansion of the hydroelectric plant at Cuzco, $30.5 million for water and sewage line construction and $15 million for industrial credit.

Venezuela—The market for a broad spectrum of imports from the United States and elsewhere continues strong, and U.S. sales should reach $2.5 billion in 1976. Under its development plan Venezuela will invest some $52 billion in every important industrial and social sector during the 1976-80 period in an effort to turn the country into a modern industrial society. Thus, development projects as well as the acceleration of other economic activities should generate abundant opportunities for U.S. suppliers.

U.S. exports to Venezuela should increase by about 10 percent in 1976. This comes on top of a 27 percent increase in 1975. To some extent the decrease in the growth rate was due to November 1975 increases in duties on about 800 items. These increases were implemented by Venezuela in meeting certain ANCOM obligations. The decline may also be due to severe competition from traditional and non-traditional suppliers. U.S. financing will have to be highly competitive to counteract it.

The market continues to be favorable for construction machinery, capital goods and selected consumer goods. Commerce will sponsor a series of exhibitions in Caracas during 1977-78.

ARGENTINA

Restrictions Limit Imports; Pickup In 1977 Foreseen

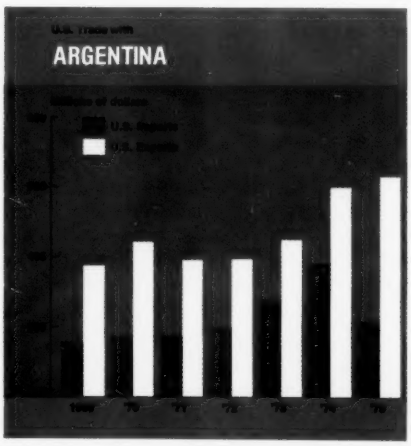
U.S. exports to Argentina in 1976 will probably be significantly lower than the $600 million approximated in 1974 and 1975. The severe Argentine import restrictions on capital goods and continuing recession there will weigh heavy on U.S. export prospects, offsetting the generally improved political and business climate, according to Larry Garges of the Bureau of International Commerce.

Argentina may post a slight surplus in its overall balance of trade in 1976, as the current outlook is for exports rising to $3.5 billion and imports dropping to $3.4 billion. Last year saw a large deficit in the trade balance, a sharp reversal from the sizable surpluses in 1973 and 1974.

The new Argentine Government which came to power in the March 24 coup which overthrew Mrs. Peron inherited enormous economic problems: a deepening recession, runaway inflation, and an external payments crisis. Real gross domestic product had declined 1.4 percent in 1975 and a further 3.5 percent in the first quarter of 1976. Inflation in March was 566 percent over the previous March. The balance of payments deficit reached $1.1 billion in 1975, the highest deficit in recent history.

The new government quickly launched a stabilization program to restore order and efficiency within the context of a more free-enterprise, market-oriented economy without price controls and with more incentives for the private sector. The program emphasized an export-oriented growth strategy based on recovery of the long-neglected agricultural sector, a reduction of the enormous fiscal deficit, and monetary, fiscal and wage discipline.

The new program has had some notable



success to date. Runaway inflation has been slowed, the exchange rate stabilized, labor productivity increased, and domestic business confidence greatly restored.

The most dramatic achievement has been in the rapid abatement of inflation: the Consumer Price Index monthly increase dropped precipitously from 38 percent in March to 13 percent in May.

The new program has raised the country's image abroad and achieved for Argentina an important measure of international support. The immediate threat of an external debt moratorium passed when U.S. and other foreign commercial banks lent strong support to Argentina, including $300 million in new short-term loans.

While the balance of payments will be much improved this year, the Argentine external debt and foreign reserves positions are delicate and will probably remain so throughout 1976 and 1977.

The recession in Argentina continues and unemployment may reach 8-10 percent before the worst is over. The recession is likely to last through most of 1976, but if the stabilization program works as anticipated, Argentina should begin to show signs of economic recovery thereafter, perhaps beginning in early 1977. Dynamic elements are likely to include construction activity, agricultural exports and new investments.

Foreign private investment has not come to Argentina for several years. To encourage foreign investment to participate in economic recovery, the government is drafting a new foreign investment law and is planning substantial modification of the technology transfer law. The government also has created commissions to quickly resolve outstanding investment disputes inherited from the Peronist Administration.

Although foreign and local investment in Argentina is expected to pick up in 1977, depressed conditions this year—with factories operating well below capacity—will dampen investment and importation of capital goods.

As capital goods constitute the most important single category of U.S. exports to Argentina, it appears that the U.S. this year will do well to maintain its present one-sixth share of the market.

There are favorable export opportunities this year in the fields of power generation and transmission, chemicals and petrochemicals, port-handling and maintenance equipment, steel foundries and rolling mills, shipbuilding and shipboard equipment, petroleum exploration and extraction equipment, and metalworking and finishing machinery and equipment.

As the Argentine economy picks up, the U.S. Government will sponsor trade missions, technical sales seminars, and catalog shows in Argentina.

BRAZIL

Trade Slightly Dipping Under Import Restrictions

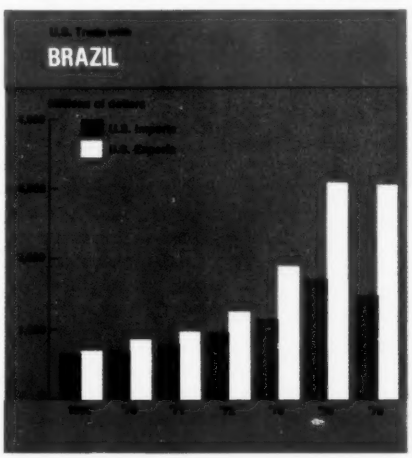
U.S. exports to Brazil, which dropped slightly from $3.1 billion in 1974 to $3.06 billion in 1975, are expected to fall below $3 billion in 1976. Brazilian imports dropped from $12.5 billion in 1974 to $12.1 billion in 1975, and are expected to drop further in 1976 as a result of Brazil's tight measures restricting imports to shore up its balance of payments position. The Brazilian Government had hoped to reduce the trade deficit to $1 billion this year, but at year's end might find a gap of $2 billion, as exports may only rise to $9.5 billion and imports may only fall to $11.5 billion. A trade deficit of $2 billion, however, would be a vast improvement over the deficits of $4.6 billion in 1974 and $3.5 billion in 1975, adds Larry Garges of the Bureau of International Commerce.

In 1977 Brazilian imports may well be on the rise again. Because of the country's vitality and immense resources, another import boom period will probably follow.

The United States accounts for approximately one-third of Brazil's non-oil imports, and is Brazil's largest trading partner. In recent years the United States has had an ever-widening, favorable balance of trade position with Brazil, which reached $1.6 billion in 1975.

Brazil's former phenomenal rates of growth of both its economy and its trade have temporarily disappeared due to measures taken to cope with balance of payments difficulties, related to world economic recession and high oil prices. Nevertheless, Brazil's economic growth in 1975, 4 percent, was highly respectable, and there is a good possibility that the growth in 1976 will be as good as, or better than, last year's.

On the crucial balance of payments front, in 1975 the total current account deficit of nearly $7 billion and debt amortization of $2.2 billion were balanced by capital inflows of $8.1 billion and a drawing down of foreign reserves by $1.2 billion. At year's end foreign reserves were down to $4.0 billion and foreign debt reached $22 billion.



During 1976 Brazil should be able to finance its current account deficit with only modest recourse to official reserves. Despite curtailed U.S. bank lending abroad, Brazil continues to attract foreign bank loans, both from U.S. and other sources.

Though inflation was down from 34 percent in 1974 to 30 percent in 1975, the money supply grew by 42 percent instead of the planned 30 percent. Even though the government has tightened up on money supply this year, inflation is running well ahead of last year's rate and may reach 40 percent. Not since 1966 has inflation reached that level.

The government's import restrictions will most likely continue in force throughout 1976. It is possible that additional restrictions will be imposed, especially if the trade deficit does not improve significantly.

The best prospects for American exports and investments lie in certain of the government's designated priority sectors. These are capital goods and machinery (such as machine tools and metal-working equipment), shipbuilding, chemicals and petrochemicals, mining and metals, and fertilizers and pesticides.

In spite of Brazil's difficulties, large projects, such as the Itaipu Hydroelectric Dam complex and the Third Steel Expansion program, involving billions of dollars in investments, are still going forward, although in some cases the schedules may be extended. The construction of several large minerals projects (e.g., Carajas iron ore, Albras aluminum) has been delayed for various reasons. Most of these projects require imported equipment, as at this time local manufacture cannot meet the demand or cannot produce sophisticated components needed.

American exporters who find their products non-competitive or who are unable to obtain import licenses may wish to consider protecting their Brazilian markets through direct investments, joint ventures, local manufacturer or licensing arrangements.

Brazil's long-range prospects are bright. The country's continental expanse, its burgeoning and active population, and its wealth of natural resources all augur well for Brazil's emergence as a major industrial power.

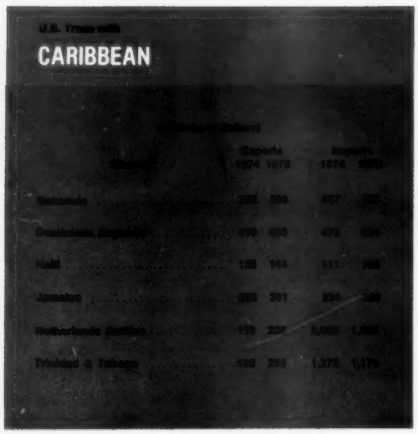
The next U.S. Government trade promotion event in Brazil will be a pulp, paper and converting machinery trade mission in December to Rio, Sao Paulo and Porto Alegre.

CARIBBEAN

Tighter Import Controls, Sugar Prices Dim Outlook

The potential for U.S. exports to the Caribbean is clouded by several continuing problems which show little sign of disappearing. The area's import levels may not reach those of 1975, or may exceed them slightly, but if the latter occurs it will be due more to inflation than solid growth, according to Frederic G. Kayser of the Bureau of International Commerce.

World sugar prices have not strengthened sufficiently since mid-1975 to really benefit the area's producers. The downturn in bauxite demand and tourism that resulted from the U.S. recession still prevails, although the much improved economic picture in the United States and Western Europe may be reflected in some improvement in those two industries by early next year. Foreign exchange reserves in most Caribbean countries continue to be heavily influenced by oil expenditures. Coupled with lower receipts from basic commodities, this has led two countries, the Dominican Republic and Jamaica, to impose import restrictions—the former by a quota system and the latter by a highly restrictive licensing requirement on all imports.



Country developments

Dominican Republic—The leading U.S. market in the Caribbean again offers strong opportunities, with heavy international lending for a much needed $250-million expansion of the entire power generating and transmission system, presently a detriment to both industry and agriculture. Expansion of the telephone system and Santo Domingo's bus system and modernization of the sugar industry are also under way. Considerable local and foreign capital is going into construction of new hotels in Santo Domingo and a tourist complex on the North Coast. Total U.S. sales should range between $450-500 million. Specific opportunities include construction supplies and equipment, hotel and restaurant furnishings, cooling and refrigeration equipment, pumps, centrifuges, portable irrigation equipment, and food processing, agricultural, office and sports equipment. Consumer goods can still be imported in spite of quota restrictions, through the "parallel market" which offers foreign exchange at a premium over the Central Bank's par value.

Trinidad and Tobago—Hefty, steady oil revenues, thorough planning of priorities and an excellent rating with the international financing agencies make Trinidad a very attractive and fast growing market. U.S. exports are expected to top $300 million, an increase of at least 22 percent over 1975. Top government priorities include an iron and steel plant, a plant for polyester fiber, a natural gas pipeline, a power generating plant to utilize the gas and an efficient port at Point Lisas to serve the petrochemical industry to be centered there. Second-priority plants are planned to produce furfural, fertilizer, cement, olefins and aromatics. Specific product lines in demand are instruments and apparatus for the plants and natural gas installations, more sophisticated office machinery, food processing and packaging equipment, agricultural machinery and equipment.

Jamaica—The economic situation continues to deteriorate, with little evidence of effective solutions to the country's interrelated problems of low productivity and exchange earnings, high fuel costs, slow tourist trade and a stagnant private sector, aggravated by a shortage of materials, inflation and frequent labor problems. The government has imposed an $850 million total import limit and highly restrictive licensing procedures. A market exists for essentials in capital goods, machinery and some consumer items. The United States should hold but not exceed its traditional 40-43 percent of the market. Conditions may improve early next year if the passing of the U.S. recession builds demand for bauxite and tourist confidence returns.

Netherlands Antilles — Markets continue for oil refinery equipment and consumer goods. If problems on port and shipbuilding plans are solved, U.S. exports may reach $235 million.

Bahamas—Chief sales opportunities are for equipment for oil transshipment, refining, ship repair, water and sewerage, and some farm machinery. Projected 1976 U.S. sales are $225 million.

Haiti—U.S. sales of about $140 million will center on agricultural infrastructure, dams, roads and port improvement. Raw materials for the assembly industry continue in demand.

CENTRAL AMERICA

Economies Are Improving; Markets Remain Attractive

The Central America Common Market (CACM), comprised of Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua, appears to be rebounding from the adverse economic conditions which affected the region in 1974 and 1975. The remainder of this year should see an increase in the gross domestic product growth rate as well as a reduced current deficit in the balance of payments, according to Walter M. Bastian, Bureau of International Commerce.

The CACM remains an attractive market for U.S. exporters. The U.S. share of the CACM market should remain healthy (approximately 35 percent in 1975). During the first five months of 1976, U.S. exports to the CACM (including Panama) were up 12.4 percent.

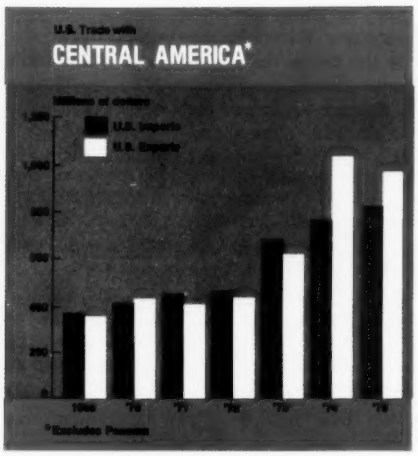
The earthquake which struck Guatemala earlier this year was most devastating on the social rather than the economic level. The total cost for reconstruction over a four-year period has been estimated at over $1 billion. Salient features of the reconstruction program revolve around rebuilding private family dwellings, social infrastructure projects (health, education and urban facilities), physical infrastructure projects (roads, bridges and ports) and productive sector needs (agriculture and industry).

Costa Rica—Tariff surcharges and import restrictions levied last year in an effort to curb imports appear to be working, as reflected in an increasingly favorable foreign reserve position. Export earnings should increase this year with an improvement in agricultural prices. GDP growth rate is expected to reach 4-5 percent this year.

El Salvador—Inflation is expected to decline from last year's level of 10 percent and GDP growth should reach 4-5 percent. The Government of El Salvador is continuing to increase the pace of public investment under the country's 1973-1977 Plan. Industrial production is up and the agricultural outlook, especially in coffee and cotton, is good.

Guatemala — Despite the disastrous earthquake in February, the GDP growth rate is expected to reach 12 percent. An increase in sugar production and higher world market prices for coffee, coupled with an increase in manufacturing production and construction activity, augur well for Guatemala.

Honduras—The outlook for Honduras is bright, generated by factors generally affecting all CACM countries. There is a strengthening of the agricultural sector following the natural disasters of the past two years. This strengthening has



been spurred to a large extent by high world prices for Honduran crops. GDP growth is expected to reach 4.7 percent. Large investments are being made in development of natural resources, particularly hydroelectricity and wood.

Nicaragua—Inflation should decrease to 5-7 percent in 1976 and the GDP growth rate should increase from 1.9 percent in 1975 to 6.5 percent in 1976. Cotton prices are up and a new stage in Managua reconstruction will begin. Infrastructure needs center around cheaper sources of energy and roads to the interior.

The following product categories appear to offer the best U.S. export opportunities to the CACM: agricultural machinery and equipment, food processing machinery and equipment, health care equipment and instrumentation, communications equipment and systems, energy systems and building and construction equipment and supplies.

Panama—long-term outlook bright

Panama, while not a member of the CACM, maintains close ties with that organization through participation in a large number of Central America Common Market institutions.

Though Panama's economic growth rate declined sharply in 1975 (1.7 percent) and unemployment is up, the long-term economic outlook is good due to proposed government projects and a new national development plan. Panama is seeking to achieve an 8 percent per year GDP growth rate.

Canal negotiations have dominated the news in Panama, overshadowing contracts signed between the state-owned Cerro Colorado Mining Development Corp. and Texas Gulf, Inc., for development and management of the large copper deposit.

Sales prospects are expected to continue to be good over nearly all of the range of consumer and capital goods, owing to Panama's heavy reliance on imports.

MEXICO

President-Elect Stresses Positive Economic Goals

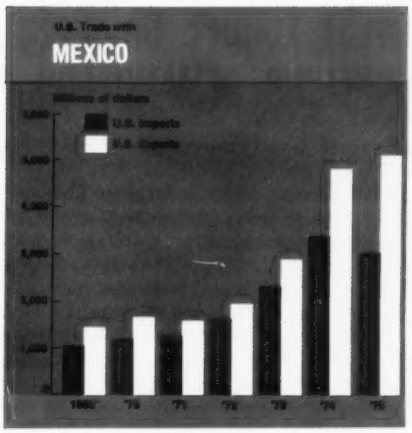
Mexico, the fourth largest customer of the United States, will remain an excellent market for a broad range of capital goods, component parts, chemicals, agricultural products and raw materials. Import controls on luxury and consumer goods continue in force and make it virtually impossible to sell these items there, adds Frederick J. Tower of the Bureau of International Commerce.

Election of Jose Lopez Portillo on July 4 as President, with inauguration on Dec. 1, starts the new six-year administration cycle which appears to be ready to open on a positive note as regards the economy. In a speech just before the election, Lopez Portillo stressed that he proposes a reorientation of the economy to increase production and improve living standards for the masses. Among the needs of Mexico he cited were greater social justice, better income distribution, full employment, increased productivity and an increased supply of foodstuffs and energy.

Based on the Bank of Mexico's first-quarter 1976 figures, Mexico's imports declined by 1.6 percent from the record heights of 1975, while exports grew a healthy 19.0 percent, thus reducing the perennial trade deficit by 19.2 percent. The improved current account benefited also from somewhat higher tourism receipts and re-exports from the in-bond or assembly industry. Short-term capital movement was negative, however, in contrast with the performance in the first quarter of 1975.

The government's budget for 1976 is an important factor in the country's performance for the year. The budget, which includes spending by the federal government as well as the major state-owned enterprises, calls for a 10 percent increase from 1975 to 1976 in expenditures in current prices. When the price rise is taken into account, this represents a small reduction in spending.

Mexico's import substitution policies are an inducement to investment in production facilities in that country. Import licenses are generally denied to products competing with those produced domestically. On the other hand, some concern is being voiced about the investment climate for the private sector, both foreign and domestic. The Mexican Government has tightened controls on majority foreign-owned investments over the past five years. New majority foreign-owned investment is rarely permitted and only as an exception. The same is true for expansion of existing majority foreign-



owned companies. Laws and regulations pertaining to royalties and technology transfers have been tightened and contracts for such matters are subject to government approval. The Law on Inventions and Trademarks entered into effect in February, tightening the Mexican rules on uses of patents and trademarks. This has been a subject of considerable concern to foreign business. Mexico's actions may indicate that it prefers to meet its external capital requirements by fixed-term loans rather than through foreign direct investment.

Private investment plans are uneven, with some sectors, notably chemicals and petrochemicals, iron and steel, food processing and packaging, business equipment and electronics, carrying out sizable expansions. Other sectors have been slower to resume normal investment patterns after the 1975 recession. Investment by government entities has been especially high in the petroleum, power and communications fields. U.S. sellers of equipment and supplies used in the industries named will find an excellent market for their products, as American technology is held in high esteem by Mexican industry and advanced technology is considered a priority import.

Petroleum is recognized as a major favorable factor in Mexico's future. May production of crude oil was 900,000 barrels a day, with a one million barrel per day rate to be reached in the fall. An export level of 200,000 barrels a day is expected by year-end.

To maximize commercial opportunities for U.S. exporters, a program of promotional events is scheduled at the U.S. Trade Center in Mexico City. Currently scheduled for 1977 are exhibitions of automotive maintenance and test equipment, January; agricultural machinery, February; hospital and laboratory equipment, March; plastics production equipment, April; furniture manufacturing equipment, July; electronics production and test equipment, August; water treatment equipment, September.

WEST EUROPE GAINS STRENGTH, BUILDING DEMAND FOR IMPORTS

Recent Economic Trends Are Encouraging

As the economic recovery in Germany and France gains strength and spreads to other European economies, demand for imported goods will increase. As a consequence United States exports to West Europe are expected to increase significantly in 1976. Europe's recovery is several months behind that of the United States and its enhanced import needs will accelerate throughout the rest of the year and extend into 1977, according to J. Robert Wilson of the Bureau of International Commerce.

Since Western Europe was in the throes of recession throughout much of last year, it is remarkable that in 1975 U.S. exports increased as much as they did, i.e., 4.5 percent. The aggregate amount, $30 billion, represents 28 percent of total U.S. exports. Recent economic trends have, on the whole, been encouraging, and earlier forecasts of only modest growth in the major European countries in 1976 have been upgraded.

Inflation remains worrisome throughout Europe. Although the 1974-1975 recession restrained the rise of consumer prices in most countries, it failed to halt them and current increases remain uncomfortably high. Moreover, there is widespread concern that as the economic recovery gathers momentum, inflation will be intensified. Indeed, inflation has already accelerated in several instances.

Although unemployment is no longer on the rise, it too remains serious and the outlook is merely for gradual amelioration over the coming months and even years. However, inflation is generally regarded as the greater evil by policymakers. Accordingly the ministers of the member countries of the Organization for Economic Cooperation and Development (OECD), which includes practically all the industrial countries, agreed at their meeting in Paris on June 21-22 on a strategy for sustained economic expansion that emphasizes the eradication of inflation. The governments aim to achieve an economic expansion which is moderate but sustained.

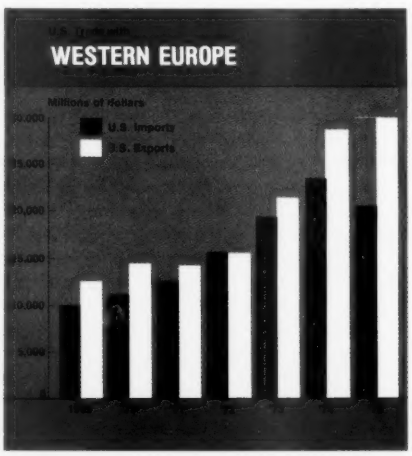
In retrospect it is clear that the German recession, which began in November 1973, ended in the summer of 1975. Since then the process of recovery gradually gathered momentum as domestic demand strengthened. About three-quarters of the previous decline in industrial production has been made up and unemployment, which had exceeded one million throughout 1975, has finally begun to recede. Real GNP is now expected to increase 6 percent in 1976.

France was fortunate in that its recession lasted only half as long as Germany's. Like Germany, it is well on the road to recovery and its GNP is expected to increase by 5 percent in 1976 in real terms, with imports rising 10 percent. Unlike Germany, France may have difficulty avoiding double-digit inflation this year.

The problem of rampant inflation remains serious in the United Kingdom and Italy. In both countries consumer prices are still rising at rates of over 15 percent per year. Some relief, however, is indicated in Britain, at least as far as the costpush component of inflation is concerned. Wage increases have been held in check for one year and a new agreement limiting annual increases to 5 percent has recently been approved. In Italy the situation is clouded by political uncertainty.

Political uncertainty also prevails in Spain and Portugal and is particularly felt in the area of incomes policy and labor-management relations. Over the years the Spanish market has taken on considerable importance for U.S. exporters. Last year Spain purchased $2.6 billion of goods from the United States, thereby accounting for nearly 16 percent of its import needs.

The turmoil in the European foreign exchange markets throughout the first four months of this year seems to have subsided. It will be recalled that in January the Italian lira experienced a sharp fall in value. In March the pound sterling slipped badly and the French franc departed from the EEC's joint float known as the "snake." Several governments intervened heavily in the foreign exchange markets to support their currencies. Parallel to these downward fluctuations, the stronger European currencies, particularly the Swiss franc and the German mark, appreciated further. In May the Italian Government introduced a 50 percent deposit requirement on foreign exchange payments. In June Britain received a $5.3 billion international standby credit. The dollar enjoyed a large measure of stability throughout this hectic period.



Despite severe protectionist pressures resulting from recession-induced unemployment, most of the European governments refrained from imposing serious restrictions on imports. The restrictions that were imposed were either of limited scope or of limited duration. Thus the line was held and the aforementioned June meeting of the OECD governments was also the occasion for the renewal for another year of their Declaration on Trade of 1974. This Declaration is aimed at avoiding restrictions on trade and other current account transactions which could lead to chain reactions and endanger economic recovery.

Aiming for 1977 completion

In their communique the OECD ministers also expressed their support for a successful outcome of the multilateral trade negotiations now taking place in Geneva under the auspices of the General Agreement on Tariffs and Trade. These negotiations are to be stepped up after the summer vacations so that a basis can be laid for the hard bargaining that lies ahead. The agreed aim is that the negotiations be completed in 1977.

The coming months will also see an intensification of the North-South dialogue in the Conference on International Economic Cooperation. This is essentially a dialogue between the consumers and producers of oil and other raw materials from the developing world.

The European Economic Community, which participates in both the GATT negotiations and the North-South dialogue as a unit, has been active in foreign commercial relations in several other ways. On July 6 the Community and Canada signed a broad commercial and economic cooperation agreement. While trade will continue to be carried out on a nonpreferential, Most-Favored-Nation basis, the agreement envisages closer links between EEC and Canadian industries. Earlier this year the EEC signed trade and cooperation agreements with Pakistan, Tunisia, Algeria and Morocco.

The EEC and Greece will shortly begin negotiations on Greece's application for full membership in the EEC; Greece has been an associate member for over a decade. Successful completion of the negotiation and ratification process, which together could take two or three years, would mean that Greece would become the tenth member of the EEC.

BELGIUM

Economic Revival Gets Under Way

The economic recovery that started in Belgium in the autumn of 1975 has accelerated. Bobette K. Orr of the Bureau of International Commerce sees exports and private consumption expenditure as the principal forces behind the recovery.

Industrial activity (excluding building) rose 14 percent between September 1975 and March 1976. The Belgian Government is now forecasting a rise by 2.7 percent in the real GNP for 1976, (compared to a 1.4 percent decline last year to $42.2 billion), while private sources estimate increases of 3 to 4 percent.

Economic expansion, a more competitive dollar vis-a-vis the Belgian franc, and rapidly rising Belgian production costs combine to offer good opportunities now for U.S. suppliers of high-technology and labor-saving equipment, as well as consumer goods.

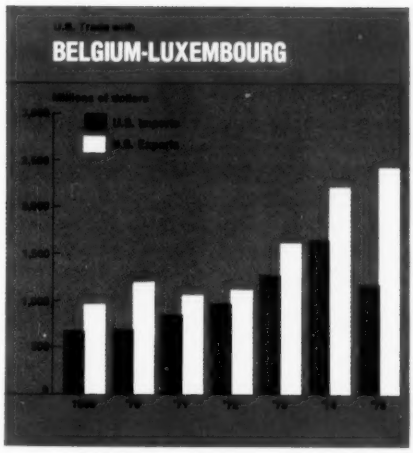
The Belgian Government has announced projections for other important economic indicators for 1976: gross fixed capital formation is projected to go up 11 percent; private consumption is anticipated to rise 2.7 percent and public consumption 4.3 percent; exports should grow 4.8 percent and imports 5.0 percent. For 1976 the Belgian Government predicts that the balance of payments will end up roughly in equilibrium. The government has stated its determination to defend the current parity of the franc, even though it has been under considerable pressure this year.

A strong and balanced cyclical revival in West Germany and the United States is important for prospects in Belgium, due to Belgium's reliance on trade with those countries.

Offsetting this, however, are a number of factors which could slow down the Belgian recovery later this year. A serious question remains as to whether inflation can be slowed below the current rate of 10 percent.

Labor market conditions are another worry. By the end of March 1976 the unemployment rate stood at 8.3 percent of the active population. In addition, there has been no restraint on wage increases. At the end of 1975 gross hourly wages were 18 percent higher than at the end of 1974.

As in most EEC countries, the present strong expansion in private consumption reflects purchases, especially of consumer durables, postponed during the recession. Once the powerful effect of this pent-up demand is over, there is concern about the effects of private consumption reverting to a more moderate rate of expansion. Likewise, industrial production is expected to slacken in the second half of 1976 as the build-up in inventories tapers off.



Foreign investment in Belgium was down by half in 1975 compared to 1974. Total U.S. investment in Belgium was $2.9 billion at year end 1974 and new U.S. investment in current value terms dropped 78 percent in 1975 compared to 1974. Nonetheless, Belgium remains friendly to foreign investment; the country offers, among other things, a highly productive work force, a location in the geographic center of the Common Market, and a well-developed infrastructure.

The Belgian Government is actively seeking to encourage industrial recovery and achieve a reduction in unemployment without refueling the inflation spiral. The Belgian law on economic recovery was passed in March 1976, including provisions to stimulate additional employment, to freeze various types of income, and to liberalize investment incentives.

In April 1976 the government followed up with a Sobriety Plan to curb the rise in its current expenditures by $600 million through postponing programs and ending some subsidies.

The current economic revival in Belgium is a positive development for U.S. exporters. U.S. sales should outpace last year's 6 percent increase in U.S. exports (to $2.4 billion) to the Belgium-Luxembourg Economic Union (BLEU). The BLEU is a remarkably stable market for U.S. products, taking a consistent 2.3 percent share of total U.S. exports every year between 1970-1975.

As Belgian industry rebuilds inventories, there will be fresh demand for U.S. raw materials such as metals and minerals. Labor-saving equipment will be in demand to counteract sharp increases in wage costs. Public works programs indicate demand in public health and educational infrastructure. U.S. suppliers of consumer goods should benefit from the surge in Belgian retail spending.

FRANCE

Economic Recovery Gains Momentum

France is among the top four industrial countries experiencing the strongest economic recovery. The 1974-75 recession is over and 1976 should prove to be a year of strong across-the-board growth, with real GNP projected to grow 5 percent, according to Myra L. Triplett of the Bureau of International Commerce. Industrial production is again approaching the record level set in the fall of 1974. New fixed investment should pick up. Consumer spending should increase about 3 percent this year.

While the franc should remain fairly stable, France may run a small deficit on the trade account, with imports expected to rise 10 percent and exports by somewhat less, about 6 percent. Because of the bright picture for the economy, the outlook in France for U.S. suppliers of equipment, systems and instrumentation as well as consumer goods is very good, and U.S. pricing should remain competitive because wage rates are increasing more rapidly in France than in the United States.

For the French Government, three problems stand out: inflation, the level of unemployment and some uneasiness in the private sector about the handling of the economy, which could hold back expansion in new investment.

Little change in inflation

Inflation in France is currently running at a rate of about 10 percent with no signs of major change. A rate of inflation above 10 percent could easily dampen household consumption, further defer new investment and lead to stagflation in 1977. In order to avoid double digit inflation for the year, fiscal and monetary policy may have to be tightened in the coming months.

Unemployment is currently about 4.3 percent of the labor force, a very high level by French standards. While the unemployment peak has probably been passed, investment will have to expand much more rapidly than at present in order to restore the customary level of 2-3 percent.

Uneasiness about the government's economic policy goes back to decisions made two years ago. In the spring of 1975, there was a consensus that measures should be taken to stimulate the economy; opinions varied only as to the degree of stimulation needed. Instead, the franc rejoined the EEC monetary "snake" in May 1975, a move that meant inevitably continuing a tight monetary policy. France's recent withdrawal from

the "snake" in March 1976 after only ten months was regarded as a retreat from the earlier policy.

The French Government has approved an investment program worth some $46 billion encompassing about 25 major projects aimed at continuing economic growth over the next five years. A major portion of the program is devoted to upgrading the French telecommunications system. Other projects include the development of the Rhine/Rhone waterway system, measures in favor of the agricultural sector and coast preservation programs.

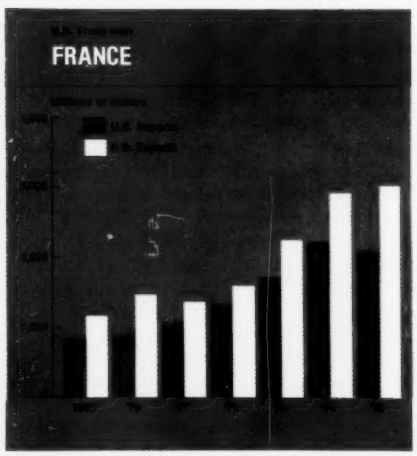
The government is also undertaking some economic reforms but their ultimate success is doubtful. The reform of the capital gains tax, when eventually passed by the Senate, is likely to be so modified that it will affect relatively few people and raise only some $250 million a year.

Continued expansion expected

Continued expansion in French output is expected, especially in the intermediate goods sector. Inventories of finished goods are down sharply, unfilled orders are up, deliveries are continuing to outpace production and new orders are increasing. Overseas orders are reviving, but at a slower pace than domestic demand.

The greatest potential for U.S. products is for computer related and telecommunications equipment, electronic components, security equipment, pollution control equipment, construction equipment and materials. Consumer goods also have good potential, especially textile products, toys, leisure equipment and household wares.

To this end, the U.S. Trade Center in Paris will sponsor exhibitions on building and construction equipment and supplies in October; telecommunications equipment in November; and pet products, microwave equipment and business equipment in January 1977.



GERMANY

U.S. Has Become 4th Ranking Supplier

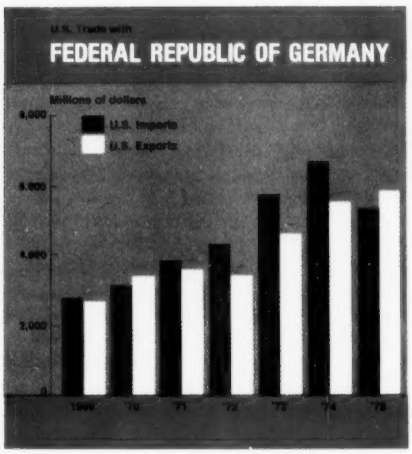
With U.S. exports to Germany (c.i.f.) during the first quarter of this year totalling $1,728 million, up from $1,416 million a year earlier, and with the U.S. percentage share of the German import market at 8.6 percent, the United States has displaced Italy as Germany's fourth ranking supplier, after the Netherlands, France and Belgium-Luxembourg.

While overall German imports in the first quarter rose 23 percent, imports from the United States rose 27 percent, giving the United States a bilateral trade surplus with Germany of $391 million, almost as large as the surplus of $439 million for all of 1975, reports Velizar Stanoyevitch of the Bureau of International Commerce.

Contrary to popular assumptions—buttressed by the current drought in Europe—that U.S. agricultural exports together with exports of raw materials spearheaded this expansion, U.S. agri-exports in fact declined. What contributed substantially to these impressive first quarter results were sales of finished manufactured products, non-ferrous metals, lumber, wood pulp, crude oil derivatives and bituminous coal.

Preliminary data on the composition of U.S. machinery exports to Germany indicate a very strong competitive position of U.S. exporters of machine tools, paper and printing machinery, materials handling equipment and food processing machinery. Electronic production and test equipment could be expected to capture a lion's share of the German import market. Exports of laboratory instruments, pollution control and measuring equipment, especially for air and water purification and certain types of energy systems, such as solar, are also likely to continue rapid growth.

With Germany staging an impressive recovery from the most severe economic recession of the post-war period, the prospects for the balance of the year appear much more favorable than a year ago, when Germany was still in the throes of the recession, with more than 5 percent of all wage and salary earners jobless and real GNP down 2.5 percent. The markedly higher rates of inflationary price increases in principal competitor countries and remarkably stable Dollar-Mark rates of exchange should enable the United States to improve substantially upon an already impressive record achieved last year, when the United States accumulated a bilateral trade surplus of $439 million, compared to a deficit of $1,310 million in 1974.



The process of recovery which began in mid-1975 appears to be gaining momentum and forecasts of real GNP growth rate for this year have been revised upward from 4 to 6 percent. Unemployment is finally starting to recede from peaks reached earlier this year and is now under the million mark for the first time since December 1974. The bulk of wage settlements have been close to the anticipated and actual rise in the cost of living this year of about 5 percent. Industrial plant utilization has risen to 83.3 percent of capacity in the first quarter of this year, compared to 78.7 percent in the second quarter of last year.

Last year witnessed a historic change in the direct investment flows between the two countries, with German direct investments in the United States exceeding the reverse capital transfers from the United States to Germany. The number of German visitors to the United States is still less than the number of U.S. tourists in Germany, but the former average longer stays and spend more.

Business and investment climate in Germany remains very favorable. Recent parliamentary approval of labor party codetermination on supervisory boards of corporate enterprises employing 2,000 or more is generally expected to guarantee labor peace, without jeopardizing traditional management prerogatives. The new corporate income tax provisions which go into effect next year, raising the basic tax rate from 52 to 56 percent, will probably have the effect of placing foreign direct investors at a comparative disadvantage by, in effect, allowing only resident investors a tax credit on dividend income.

The Commerce Department's trade promotion program in Germany for the remainder of this calendar year includes sponsorship of group exhibits by U.S. manufacturers at international trade fairs in Cologne and Munich. In October, a micro/mini computer exhibit is scheduled at the Frankfurt U.S. Trade Center.

ITALY

Industrial Production Is Stepping Up

Despite the current deposit regulation on imports, U.S. exports to Italy should be able to maintain or slightly improve their 8.7 percent market share of 1975, about $2.9 billion. Ann Corro of the Bureau of International Commerce predicts that U.S. exports should increase as industrial production continues to pick up in Italy.

Prospects for 1976 are viewed as moderately improved for Italy. After a negative growth rate in 1975 of 3.7 percent, expectations call for a positive GNP growth rate of 1 to 2 percent in 1976. Industrial production dropped by 10 percent in 1975 but a slight upturn in the last quarter of 1975 signifies a bottoming out of the recession last summer. By April 1976, industrial production was up 5.9 percent over the year before.

In comparison with the previous year's trade performance, Italy's trade balance in 1975 improved tremendously to attain the government's goal of a non-oil trade surplus. Reducing 1974's $10.5 billion trade deficit to $3.5 billion in 1975 is illustrative of this fact.

The ability of Italy's economy to effectively shift from slack domestic demand during its recessionary period into an increase of 2.3 percent in the export sector was quite an achievement, considering a world dip in import volume of 6 percent. Also, Italy's overall balance of payments position was more than halved from a $5.5 billion figure in 1974.

Contract negotiations involving ten million workers out of a total workforce of some 19 million are being concluded in 1976. Another period of turbulent labor clashes, as in 1969, over labor demands has not materialized. Unions are concentrating on job creation and job security rather than wage hikes in an effort to reduce a current 6 percent rate of unemployment and underemployment.

To stem the continued fall in the Italian lira in April, resulting mainly from a lack of political confidence in the Italian Government's ability to solve its economic problems, a 50 percent prior deposit requirement was imposed on May 6, for virtually all purchases of foreign exchange for imports, except wheat, service payments and capital movements. The deposit is to be held for 90 days in a non-interest-bearing account with the Bank of Italy. This requirement has been extended through Nov. 3.

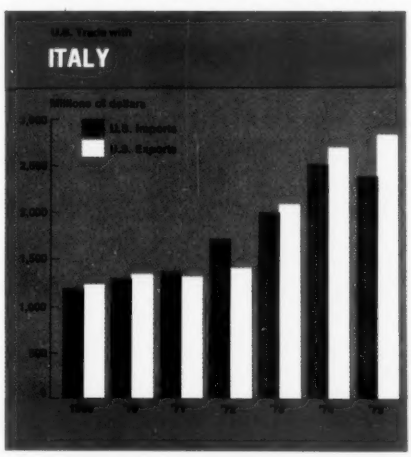
As a practical matter for importers, given the present interest rate structure on short-term financing, the cost of an imported item is, in effect, increased by 2.5 percent. As a result of tight monetary policies being undertaken, the lira has considerably improved against major currencies, including the U.S. dollar. It is currently fluctuating near 850 lira to the dollar from 900 lira before the deposit regulation was imposed.

In an effort to alleviate problems of high labor and social welfare costs and lagging technology, and to restore a sound financial base for business investment, the government has proposed a series of priority investments, designed to restructure Italian industry in a medium-term economic package to be implemented over a 3 to 5-year period. The plan calls for increasing productivity through encouraging greater labor mobility from moribund industries to potential growth industries, as well as more spending for capital investment and research expenditures to create modern and technologically competitive industries.

Generally, U.S. high-technology, labor-saving machinery and equipment have the best sales potential in Italy. With the cost of Italian labor in terms of productivity higher than other European countries, Italy must move toward more capital-intensive production to maintain international competitiveness.

U.S. equipment areas of particular promise include computers; equipment for the development, expansion and modernization of ports and airports; water pollution control equipment; process control equipment; security equipment; energy-generating equipment, especially related to nuclear and alternate energy sources; and electronic components and production equipment.

The U.S. Trade Center in Milan will be sponsoring the display of American products in the following exhibitions: equipment for the chemical industry in October, engineering design components in November, and a variety of other products next year. An avionics and airport equipment technical sales seminar will be held in Rome in January 1977.



NETHERLANDS

Recovery Begins From Recession

The Dutch economy is moving out of a recessionary period, but the structural problems of unemployment and inflation still remain, reports Bobette K. Orr of the Bureau of International Commerce. After registering a decline in its GNP during 1975 (to $80.4 billion), the Dutch economy is expected to show a steady expansion over the next two years, attaining an average annual real growth of 3.5-4 percent.

A major stimulus for this favorable trend is the upswing in the economies of the Netherlands' major trading partners—particularly West Germany and the United States. As a result, the Netherlands should continue to run a substantial balance of payments surplus, growing from $1.6 billion in 1975 to $2.2 billion in 1976 and $3.6 billion projected for 1977. At the same time, 1976 promises to be a good year for U.S. exports to the Netherlands.

Despite the strong external position of the Dutch economy, the country still has serious internal problems. Price inflation is expected to decelerate only moderately from the 10 percent rate of 1975. Likewise, unemployment may not decline at all from its present high of 5.5 percent.

In order to tackle this situation, the Dutch Government published on June 10 its medium-term economic policy white paper entitled "Selective Growth," the key to which is a government commitment to spend $5.4 billion in the period 1977-1981 to support job-creating investment.

The government projects that investments by trade and industry should rise by 5 percent in 1977; the wage increase would total 1.5 percent (versus 8.5-9 percent in 1976); and the price rise would be 5.5 percent (versus 7.5-8 percent this year).

In charting the course for the future of the economy, the Dutch Government has proposed two pieces of legislation which are currently before the parliament. One is a bill which would remove management representation from company Works Councils and would vastly broaden the powers of Works Councils.

The second proposed law provides for excess profits sharing (VAD), whereby companies operating in the Netherlands would pay 10 percent of any "excess" profits (above a normal return on capital and a risk premium) into a national fund to be administered by the trade unions.

These two bills are causing considerable uncertainty within the Dutch business community. Concern has been ex-

pressed that they will adversely affect industry at this crucial time when it is just pulling out of a recession and that the laws would also seriously detract from Holland's traditionally favorable investment climate and thus discourage foreign enterprises from investing there.

U.S. investments in Holland reached $3.2 billion in 1974, up from $2.35 billion in 1973. A major part are in the petroleum and processing industries.

The Dutch Central Planning Bureau is anticipating that world trade will rise 6 percent in 1976. Concurrently, Dutch exports are expected to rise 8.5 percent above the $30.5 billion figure for 1975, and imports will rise 7.5 percent above the $30.6 billion 1975 figure.

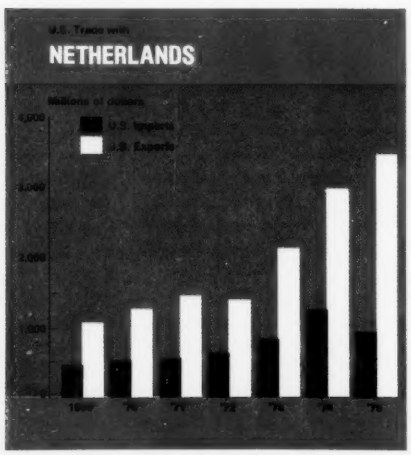
The outlook for U.S. exports to the Netherlands remains good. Sales of American goods should do even better than last year as the Dutch economy recovers.

The major growth will come in sales of industrial goods, particularly machinery and transportation equipment. Due to increasing labor costs in the Netherlands, labor-saving equipment and products embodying high technology also should be favored.

With U.S. prices becoming more competitive, and with U.S. styles becoming more accepted in Holland, sales of American consumer goods will also continue to expand rapidly.

U.S. agricultural exports to the Netherlands set a record of $1.7 billion in 1975. The Netherlands thus became the second largest market, after Japan, for U.S. agricultural commodities. Due to a gradual weakening in world prices, however, 1976 exports may register a slight decline.

U.S. manufacturers of electronic components will have an excellent opportunity to explore the Dutch market by participating in a Department of Commerce sponsored catalog exhibition at the FIAREX International Trade Fair in Amsterdam, November 20-25.



SPAIN

Recession Is Seen Continuing In 1976

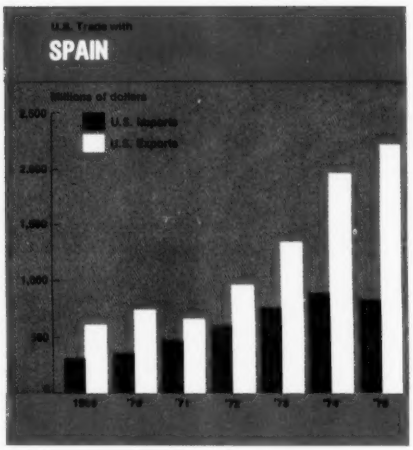
U.S. exports of equipment and materials should experience some growth in the Spanish market during 1976, especially in those sectors where substantial U.S. investment and/or technical assistance is planned: energy systems, transportation/avionics, chemicals and computers. Roger Turner of the Bureau of International Commerce reports that in other sectors, however, decreased consumer demand, lower capital equipment imports, and export expansion continue, as Spain remains enmeshed in its worst recession in nearly 20 years.

Recession, several months late in reaching Spain, is now forecast to bottom out much later than originally anticipated. It may be some time before Spain can expect to benefit from increased demand in West Europe and the United States, its major export markets. Continued inflation of some 17 percent, an unemployment rate of approximately 6 percent, labor unrest over low wages and a sharp rise in the cost of living limit the potential for significant real GNP growth at this time; at best, no more than a 2 percent increase can be expected by the close of 1976.

Businessmen remain confident that Spain can continue its efforts to modernize or develop its industrial and agricultural sectors, always mindful that the ultimate objective, circa 1985, is full-fledged membership in the European Community. To achieve this objective, and concomitantly to finance its 1975 balance of payments deficit of some $3.5 billion, Spain must continue to rely upon foreign borrowing and to encourage direct foreign investment.

Recently, long-term foreign capital inflows have slowed. Several multinational firms and their Spanish counterparts have delayed investment decisions as a result of the recession and, to a degree, to get a better idea of political developments inside Spain. Knowledgeable observers maintain that positive political changes have and will continue to take place in Spain which augur well for its future economic development.

Official c.i.f. import figures for 1975 show that Spain's import market grew to an all-time high of some $16.3 billion or a 6 percent increase over the previous year; actual increase in the volume of imports was only 3 percent for the corresponding period. Approximately 23 percent of total imports was accounted for by crude petroleum, emphasizing once again Spain's urgent need to develop alternative sources of energy.



For the first half of 1976, U.S. suppliers continued to retain their 16 percent share of the Spanish import market. There is every indication this pattern will continue in 1977, as Spain welcomes direct U.S. investment and technological assistance to see it through economic recovery in the near term and, equally important, to help it develop greater export capacity for the longer term.

Spain's current economic situation and the continuing need to generate greater export earnings are graphically illustrated by the fact that its exports, some $7.7 billion in 1975, paid for barely one-half of the nation's imports, with the resulting deficit having to be offset by invisible earnings from tourism (some $3.4 billion), Spanish foreign worker remittances (some $1 billion), direct foreign investment (less than $500 million) and by foreign borrowing (some $1.6 billion).

Imports declined 10 percent during the first half of 1976, reflecting the 11 percent devaluation of the peseta in February and an overall 16 percent decline in its value since then. This depreciation in the peseta should eventually enhance Spain's trade outlook. Reserves, by the close of 1976, should still be well in excess of $5.5 billion.

Best prospects for U.S. suppliers include consumer goods—women's sleepwear, children's clothing, cosmetics, and housewares — and capital equipment which can help to offset steadily increasing labor costs. Included in the latter are food processing and packaging, metal working, health care, laboratory instrumentation, computers/business systems, and process control instrumentation.

To assist suppliers, Commerce will sponsor the following promotional events: consumer goods display, September; electronic components catalog exhibit and technical sales seminar on energy systems, October; food processing and packaging catalog exhibit, May '77; and laboratory/process control instrumentation exhibition, October '77.

SWEDEN

Despite Slow Recovery, U.S. Products Needed

The Swedish economy, while buffeted by weak international demand for its products through most of 1975, entered the current year in relatively good condition, according to Albert Caya, Jr., of the Bureau of International Commerce. Due largely to the government's employment-maintaining anti-cyclical actions, unemployment averaged just over 2 percent for the year. Investment and production were maintained at relatively satisfactory levels due largely to government stock-building loans and encouragement of foreign borrowing.

Export markets strengthened for the forest products industries in late 1975 and through the first half of 1976. The engineering industry suffered export sales set-backs commencing in mid-1975 which continued well into the first half of 1976. Moderate to good recovery, however, is expected in this sector as the second half of 1976 progresses. This growing strength in international markets makes the economic situation brighter than was generally expected six months ago.

In real terms, Sweden's foreign trade in 1975 was virtually stagnant. Imports increased in value by 7 percent from $15.8 billion in 1974 to $18 billion in 1975. A substantial portion of this increase may be ascribed to price increases and exchange rate fluctuations.

Exports totaled $17.4 billion, as compared with $15.9 billion in 1974 or a 2.4 percent increase. Swedish export prices increased significantly during the year, however, and the volume of exports actually declined.

While sales prospects for Sweden's export industries are improving, several problems remain to be solved. One of these is the large current account deficit facing the nation. The deficit on current account reached $1.5 billion in 1975 as compared with $1 billion in 1974. To finance the deficit and to maintain liquidity in the economy, industry was encouraged to borrow heavily in international capital markets. The loan inflow amounted to $2.5 billion which covered the current account deficit and added $1.3 billion to Swedish foreign exchange reserves.

In the current year, exports are forecast to rise 6.5 percent by volume while imports are projected to increase only 1.3 percent. Based on these forecasts, a surplus of approximately $250 million is anticipated in the trade account. The current account, however, is projected to show a year-end deficit of between $700-$1,000 million.

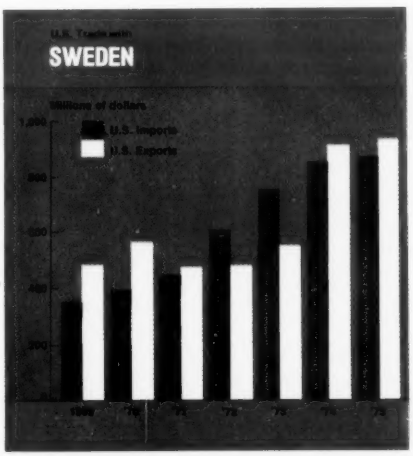
Thus, faced with current account deficits totaling $3.5-$4 billion for the three-year period 1974-76, the government anticipates that it will be 1980 before balance is achieved.

Industrial investments in 1976 are estimated to total about $3.4 billion. This represents a $112 million increase over 1975. In real terms, however, it represents a decline in volume of between 2 and 5 percent. The major portion of the decline is expected to be in the building sector. Investment in the steel industry, mining and public utilities is expected to increase somewhat, whereas a decline is projected in the engineering industry.

In 1975, Sweden's rate of inflation was approximately 10 percent. In the current year, the government is projecting a 7-8 percent increase in the consumer price index. However, faced with a 40 percent increase in the cost of labor (wages and contributions to social benefits) over the 1975-76 period, it may prove difficult to hold the cost of living to the projected level. This fact worries both the government and industry, since increased wage demands and sagging productivity are likely to drive unit costs sharply upward and decrease Sweden's competitiveness in international markets.

There will be good sales opportunities for U.S. products in Sweden in 1976 despite the relatively slow pace of recovery anticipated this year. Among products that are expected to continue to do well are: computers and peripheral equipment; electronic components and production and testing equipment; industrial process controls; building/construction machinery and supplies, and high quality consumer goods.

The United States maintains a Trade Center in Stockholm designed to promote U.S. export sales throughout the Nordic Area. Major exhibitions scheduled through the remainder of 1976 are: industrial safety and security equipment, Nov. 8-12; and pollution control equipment, Dec. 6-10.



SWITZERLAND

U.S. Exports Competitive Despite Recession

In the first half of 1976 the demand for Swiss products decreased to a lesser extent than a year ago. This may indicate an early end to the recession and economic recovery starting in the second half of 1976, according to Leo Kuus of the Bureau of International Commerce.

In 1975 Switzerland experienced its most serious recession since World War II. Due to the weakening of foreign demand and a decline in construction activities, the GNP declined in 1975 in real terms by 7 percent. For 1976 a modest increase of about 1 percent is predicted.

In the first quarter of 1976, industrial production showed a 1 percent increase over the same period a year ago. Higher rates were achieved in the chemical industry, while construction has remained the most depressed industry in Switzerland. Within a few years the contribution of industrial and residential construction to the GNP has declined from about 20 percent to less than 10 percent. In view of the large number of vacant apartments and Switzerland's zero population growth, the construction industry is undergoing restructuring. Other Swiss industries are also adapting themselves to new conditions and are adjusting their production accordingly.

Nevertheless, in a period of worldwide recession Switzerland is relatively better off than most other developed countries, having one of the lowest rates of inflation and unemployment as well as the highest income per capita in Europe.

At the end of June, consumer prices had increased on an annual basis by only 1.1 percent. The appreciation of the Swiss franc, which had a moderating effect on import prices, together with the stagnation of wages and decrease of domestic demand had contributed to the easing of inflation.

The appreciation of the Swiss franc has been the most important factor affecting the U.S. competitive position in the Swiss market. Over a five-year period, beginning in May 1971, the Swiss franc has appreciated with regard to the dollar by about 70 percent. This means that if exchange rate changes had been passed on to end-users, U.S. imports in the Swiss market should now cost some 70 percent less than five years ago.

Of course, the appreciation of the Swiss franc has also affected import prices of similar goods from other countries. Also, price advantages favoring U.S. imports have to some extent been offset by the proximity of EEC and EFTA countries to the Swiss market, their techno-

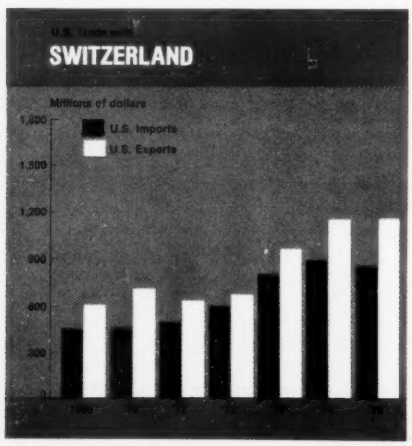
logical and marketing competitiveness, and by the absence of tariff barriers or the existence of very low ones. However, the zero tariffs between EFTA countries and 80 percent reductions in tariffs which prevail at present between Switzerland and the EEC countries according to the Free Trade Agreement of 1972 are not significant because the reduction is based on low Swiss tariffs.

In the first five months of 1976, U.S. exports to Switzerland have decreased by about 11 percent, while imports from Switzerland have increased by 19 percent compared to the same period a year ago. The decrease of U.S. exports to Switzerland reflects a decline in aircraft shipments rather than recessionary trends in the Swiss economy. The overall effect is, however, that the U.S. market share has declined from 8.3 percent in January-May 1975 to 7.0 percent in 1976.

Despite the recession Switzerland continues to be a good market for high-technology items. There is a need for pollution control and filtration and purification equipment, industrial production control instrumentation, security systems and for electronic data processing and automated business equipment.

Department of Commerce trade promotional activities include a catalog show on hardware, tools and household goods at Interferex in Basel in September.

For the next seven years U.S.-Swiss trade will to some extent be affected by the Memorandum of Understanding which was signed by the two governments a year ago. The agreement refers to compensatory purchases of Swiss goods which U.S. companies benefiting from the sale of U.S. military aircraft to Switzerland are supposed to make in Switzerland. Offset purchases are scheduled to amount to 30 percent of the cost of the aircraft, estimated to be over $500 million. For this purpose the U.S. Government is prepared to waive customs duties for relevant imports from Switzerland and grant exception from the Buy America clause.



UNITED KINGDOM

Recovery Proceeding Despite Inflation

U.S. exports of industrial goods to the United Kingdom in 1976 should equal or exceed the level reached in 1975, as the British economy moves out of the depths of recession and both exports and business confidence rise. Industrial production is on the upswing and a new government-labor agreement holding down wage increases for the coming year augurs well for the future, adds Paul A. Norloff of the Bureau of International Commerce.

A modest economic recovery is expected by most observers for the remainder of 1976 with the pace accelerating in '77.

Inflation continues to be the main problem, as rates in the United Kingdom continue at levels higher than in all other industrial countries except Italy. Government efforts have been successful in reducing inflation from an average of over 24 percent in 1975 to about 14 percent in mid-1976.

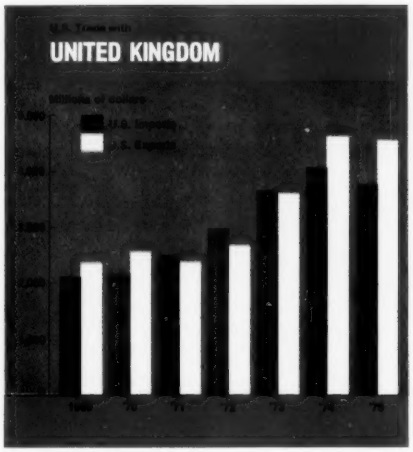
The prime factor in reducing inflation to current levels was the August 1975 introduction of a 6-pound-per-week maximum annual wage increase. Now that this program has been followed by a new agreement limiting wage increases during August 1976-July 1977 to a maximum of 5 percent, prospects for further substantial reduction in inflation seem bright.

Investment during 1975 dropped by about 14 percent, and has been expected to decline further during 1976. Presently the outlook for new investment is brighter than expected, with the main impetus coming from expanded exports and inventory rebuilding.

The gross domestic product, which declined by about 1.6 percent in 1975, will probably show a modest growth of between 1.5 and 2.5 percent during 1976 as a whole. Consumer expenditure is expected to contribute little to this development since disposable income will be substantially squeezed by a second year of wage restraint, but tax cuts tied to the government-labor wage agreement and reduced value added taxes on many consumer durables may give a boost to retail sales in the second half of 1976.

Business confidence, which had reached a very low level during 1975 as a result of high inflation rates, escalating wages, declining order books, rising materials costs and rigid controls on prices, is now showing a substantial upswing owing to the reduction in inflation rates, controls on wage hikes, growing order books for exports and indications that price controls may soon be modified.

Business confidence was also given a boost by the government's new policy on



aid to industry, first announced last November, under which the highest priority is to be given to providing funds for new industrial investment, re-establishing the profitability of industry, and concentration on channeling aid to sectors most likely to prove viable over the long term.

After posting a current account deficit of 3.7 billion pounds in 1974, marked reductions in both the oil and non-oil deficits in 1975 reduced the current account deficit for last year to only 1.7 billion pounds. The general consensus among observers is that the deficit for 1976 will be close to this level.

U.K. imports from the world in 1975 were valued at $48.5 billion, an increase of 3.9 percent over the 1974 level. Imports from the United States in 1975 increased 3.5 percent to 9.7 percent of total U.K. imports. U.K. exports to the world in 1975 reached $39.9 billion, up 19.8 percent from the 1974 level. Exports to the United States in 1975 amounted to 8.9 percent of total U.K. exports, and were almost exactly equal to the amount exported to the U.S. in 1974.

As was the case in 1974, the United States in 1975 ranked as the most important supplier and the most important market for the United Kingdom. The U.S. share of the U.K. market remains close to 10 percent.

On January 1, 1976, United Kingdom tariffs on industrial goods from other than Community members were aligned to 20 percent of the difference between original U.K. tariffs and the Community's Common External Tariff. The final adjustment will be made on July 1, 1977, leaving the applicable U.K. tariffs equal to the EEC's Common External Tariff.

The United States Trade Center in London will stage an exhibition of packaging and bottling equipment in September, and another featuring laboratory instruments for science and technology in November. In December, a trade fair featuring oilwell equipment will open in Birmingham.

AUSTRIA

Import Demand Swelling As Activity Resumes

Economic activity in Austria was rather slow in January of this year, but gained some momentum during February and March. Gertrude Oppolzer of the Bureau of International Commerce expects the pace to continue accelerating during the remainder of 1976, thus resulting in a 2.5 percent real gain in GNP for the year. In 1975, real GNP declined by approximately 2.5 percent.

The Austrian Government plans to continue its policy of stimulating the economy by allocating substantial investments in the country's infrastructure and by offering assistance to export activities.

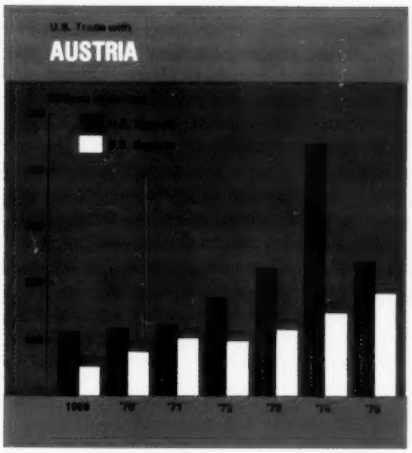
Exports to the United States declined by approximately 14.9 percent during the first quarter of 1976 as compared to the same quarter of 1975. Imports from the United States increased by 7 percent. The present U.S. share of the Austrian import market is only 2.9 percent.

Generally, Austria's exports increased very slowly through the first quarter of 1976. Main increases were reported in exports to OPEC countries and to a lesser degree to the EEC. Imports rose rapidly and Austria's balance of trade deficit amounted to $710 million, up from $550 million a year before.

Taxes, public utility prices and other pertinent fees have increased, and private consumption will grow rather moderately. Real growth rate for the first quarter of 1976 was 0.4 percent. Every effort is being made to keep inflation down to 7 percent for the year. Unemployment was about 2.4 percent at the end of March and may stay at that level since the number of foreign workers has been further curtailed.

In spite of Austria's current economic difficulties, the country offers a good market for many American products. Due to the favorable dollar/schilling rate, interest in American consumer goods has been increasing, as evidenced by a number of inquiries received during the first quarter. A Department of Commerce-sponsored promotion of American consumer goods is being planned with a large Austrian department store for the spring of 1977.

Austria's tourist industry has been growing and the market is attractive for exporters of hotel and restaurant equipment and supplies as well as for manufacturers of food processing and packaging machinery. There is also a favorable market for business machines and office equipment; building materials and equipment; printing and graphic arts machinery and equipment; and electronic production and test equipment as well as components.



Austria has about 140 cooperative agreements with East European countries, varying from licensing agreements to capital participations and cooperation in the supply of goods to third countries. These offer opportunities for U.S. firms to enter the East European and Near Eastern markets as subcontractors to Austrian enterprises in that area.

Austria, as a country with a relatively stable economy and sound government, is a favorable investment site.

DENMARK

Outlook Improving, New Orders Received

The outlook for the Danish economy is considerably improved over last year, reports Philip Combs of the Bureau of International Commerce. Industrial production—spurred by expanded output in the consumer and capital goods sectors—is expected to grow by about 5 percent in 1976.

In the wake of an overall production drop in 1975, businesses in early 1976 were beginning to increase inventories and new orders were on the upswing. Industrial turnover in January was 7 percent higher than the year before. In the first four months of 1976, the Danes imported $3.9 billion worth of goods, 30 percent more than in the same period in 1975. This augers well for U.S. exporters of industrial products who maintained their hold on the Danish market in 1975.

Total industrial production fell by 9 percent in 1975, as sales declined and businesses drew down inventories. Unemployment, averaging 11.2 percent of insured employees (compared to 5.2 percent in 1974), was the highest since 1952 and is expected to decline to about 9 percent in 1976. The decline in unemployment is expected to parallel rising productivity and production in industry.

Signs of economic upswing include new orders received in January, up 15 percent from the preceding year, and industrial turnover which was 10 percent greater from November 1975 through January 1976 than in the same period a year earlier.

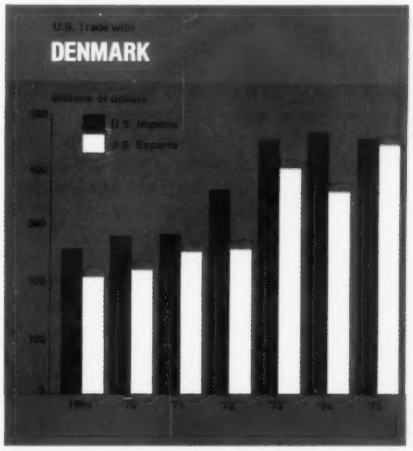
As the Danish economy is heavily export oriented ($8 billion worth of goods were exported in 1975, one quarter of GNP), forecasts of accelerating recovery during 1976 are linked to expectations of rising international demand. Domestically, long-term stabilization of wages and prices is seen as the key to recovery.

Several recent stimulative government measures, income and sales (VAT—from 15 percent to 9.25 percent from October 1975 through February 1976) tax reductions in the last quarter of 1975, led to a rise in consumer demand, with retail sales jumping 16 percent last October. In the depressed homebuilding sector, where production dropped by half in early 1975 from a peak rate of 70,000 units per year in mid-1973, recovery was aided by mortgage rate reductions from 18 percent to 13 percent, easier loan terms, and a moderated rise in costs.

The expansion of private consumption in the last quarter of 1975 led to a considerable deterioration in the balance of trade, which showed a deficit of $1,549 million for the year. Imports from the United States in 1975 accounted for 6 percent of the total import market.

The satisfactory performance of U.S. industrial goods exporters in 1975 points to the value of continued sales efforts in the Danish market and the even greater potential to be offered in 1976 as the market continues to expand.

Best sales prospects: instruments, electrical equipment, nonelectrical machinery, metal goods, construction plywood elements, retail-packed pharmaceutical goods, plastic raw materials, paper products, and high quality consumer goods.



FINLAND

Late Recession Blow Deflates Import Demand

The current outlook for the Finnish economy is mixed at best. The international recession, while comparatively late in reaching Finland, dealt a severe blow to exports of its domestic forest products industry. Despite some strengthening of export markets for wood and paper products, no substantial increase in industrial activity is expected by Albert Caya, Jr., of the Bureau of International Commerce, until late this year or the first half of 1977.

Efforts to rectify the large balance of payments deficits of 1974-75 ($2.1 billion in 1975) led to the imposition of tight credit policies by the Bank of Finland, as well as to the institution of prior deposit requirements ranging from 5-30 percent on a substantial segment of imports. These actions, commenced in early 1975, together with flagging investment demand, have reduced imports substantially. In the first quarter of 1976, imports totaled $1.7 billion as compared to $2 billion one year earlier.

Finnish imports from the United States traditionally contain a high proportion of capital equipment, OEM supplies, and industrial instrumentation and control equipment. Thus, until an upturn in economic activity triggers a more favorable investment climate and less strict credit controls, U.S. exports to Finland are not likely to increase substantially in the months ahead.

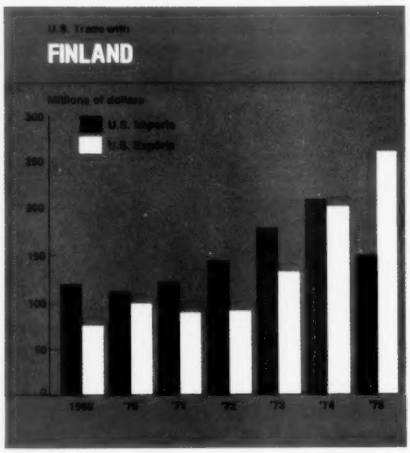
Gross domestic product fell by one-half of one percent in 1975 following a decade of growth. With capacity utilization in the forest products' industries running at about 70 percent and orderbooks shrinking in the metalworking industries, GDP is not expected to recover the ground lost in 1975 until later this year or early 1977.

Probably the most troublesome problem facing the Finnish economy is the high level of inflation, which reached 17.5-18 percent last year. Money wages increased by 22 percent in 1975, and real wages by 4-4.5 percent. Wage settlements negotiated in the first quarter of this year were restrained by comparison and it is likely that inflation will be held to around 10-12 percent. Real wages are therefore not likely to improve. This may cause labor unrest this autumn when a review of pay scales is due.

Equally burdensome are the hidden social costs which add an additional 45 percent to the wage bill. With the total cost of labor rising rapidly and no corresponding increase in productivity anticipated, price competitiveness in international markets is threatened.

The United States ranked as Finland's fifth largest trading partner in 1975 with a 5.5 percent market share. January-March 1976 figures show the U.S. position weakening to 5.1 percent.

The growing significance of the export-oriented metalworking industry and a budding but technically strong electronics industry make Finland an interesting market for a broad range of components and supplies. These products cover metalworking and finishing equipment, process control instrumentation and equipment, pollution control equipment, electronic components and electronic production and test equipment.



NORWAY

Growing Level Of Activity Makes Attractive Market

The Norwegian economy weathered well the international recession that prevailed through much of 1975, according to Philip Combs of the Bureau of International Commerce. In the current year, reviving international demand for many of Norway's traditional exports foretells good performance for most sectors of industry. This strengthening in economic performance, together with high levels of activity in the offshore oil and gas industry, make Norway a most attractive marketing area for alert U.S. exporters.

Recognizing the healthy state of domestic demand and the inherent import growth occasioned by strengthening export markets, the National Economic Budget predicts an 8 percent growth in imports for the current year. Under these circumstances, U.S. exports to Norway should continue the upward trend of the early 1970s.

Although purchases from the United States flattened in 1975, the sharp drop in imports of ocean-going oil rigs masked substantial growth in other commodity areas. Imports of U.S. machinery, for example, were up about 40 percent over 1974, and imports of other metal products and iron and steel almost doubled, albeit from a smaller base.

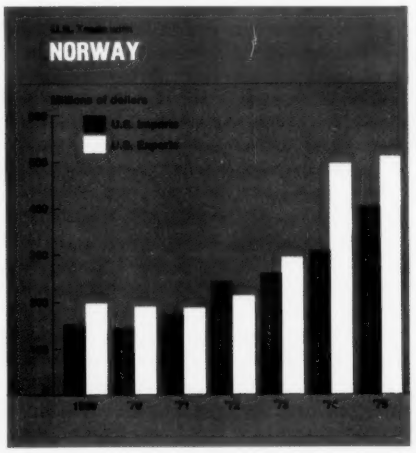
Norway's GNP, which increased 5.1 percent to $24.6 billion (in constant 1974 prices) in 1975, is forecast to grow at a 7 percent annual rate through the end of the decade. Major factors in this development include high levels of investment; relatively brisk consumer demand; expansionary monetary, credit, and fiscal policies; and government measures aimed at maintaining output and employment.

Norway's 1975 balance of payments deficit on current account was a record $2.3 billion, nearly double the 1974 deficit. To help cover the mounting payments deficit, Parliament authorized $1.5 billion of borrowing abroad. Although this borrowing will raise government foreign debt eight-fold, Norway's credit standing remains strong, due in large measure to anticipated earnings from offshore oil holdings. Oil revenues are expected to enable Norway to liquidate its foreign debt by the early 1980s and thereafter produce a substantial net cash inflow.

Norway's main economic problem is now inflation. Unit costs in Norway, according to the Norwegian Export Council, rose about 13 percent in 1974-75. The consumer price index in 1975 rose 11.7 percent (9.4 percent in 1974). The wholesale price index rose only 7 percent, reflecting relatively stable import prices.

To combat rising domestic costs, the government negotiated a comprehensive incomes and wage package with labor and industry. Basically, the settlement offers tax relief and increased government subsidies as inducements to labor to accept smaller wage increases.

U.S. sales opportunities appear strong in the following commodity areas: consumer goods, electronic components, electronic production and test equipment, machine tools, oil and gas industry equipment, pollution control equipment and process control instrumentation.



PORTUGAL

Economic Difficulties Limit Import Demand

U.S. exports to Portugal should show little, if any, growth in 1976 due to the country's continuing economic problems. U.S. exports to Portugal in the first five months of this year reached only $160 million, down sharply from the previous year, reports Ken Nichols of the Bureau of International Commerce.

Since the April 1974 revolution, substantial political and labor unrest has severely crippled the Portuguese economy. Within recent months, however, the political situation has stabilized, with the first democratic legislative and presidential elections in nearly 50 years. Under the administration of President Eanes, the new Socialist-led government is expected to develop a comprehensive economic program to deal with the serious problems of inflation, low productivity, unemployment and the crucial lack of investor confidence.

According to government figures, real GNP declined by more than 10 percent in 1975 while the consumer price index rose 17 percent and unemployment reached over 12 percent. The outlook for 1976 is for little recovery.

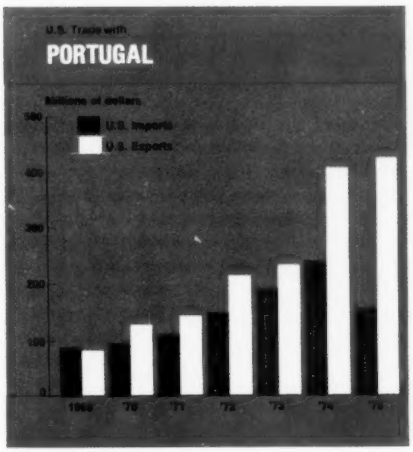
The last provisional governments implemented a number of partially successful measures including increased direct taxes, price and wage controls, indemnification for government expropriations, export incentives and a detailed foreign investment code.

Since the revolution about 70 percent of Portugal's major industries and services has been nationalized. Generally speaking, foreign investment has been exempt from any direct intervention. A number of the 100-125 U.S. firms, however, have been subject to forced labor settlements, worker takeovers and occupations. Total U.S. investment in Portugal is estimated at $200-$250 million.

Despite the current economic recovery in most of Western Europe, demand for Portuguese products remains low. Import demand, however, has remained strong, particularly for agricultural products and energy; crude oil imports are expected to total over $550 million in 1976. Due to continued high oil prices as well as the sharp rise in costs of manufactured imports, the Portuguese trade deficit is expected to reach some $1.6 billion in 1976, a slight improvement from 1975.

So far the Portuguese Government has largely resisted drawing on its estimated $1.2 billion in gold reserves. To offset severe payments deficits, Portugal has drawn down extensively on its foreign exchange holdings while also receiving substantial loans from several West European countries and European regional organizations. Offsetting overseas remittances from some 1.5 million emigrant workers and tourist revenues have fallen in the past two years.

The following product categories offer high potential for U.S. export sales: building and construction supplies and equipment; petroleum exploration and refinery, petrochemical and mining equipment; metalworking and finishing equipment; energy systems; food processing and packaging equipment; and health care industries equipment and instrumentation.



YUGOSLAVIA

High-Technology Goods, Joint Ventures Favored

Increased trade with the United States is expected in 1977, resulting from U.S. investment in Yugoslav chemical, agricultural and energy development; some relaxation of import restrictions; and Yugoslavia's beneficiary status under the Generalized Scheme of Preferences. This is the picture seen by Roger Turner of the Bureau of International Commerce.

Local business conditions still reflect a low rate of productivity, but confidence has increased in government circles resulting from success achieved with the import and related economic restraints imposed in mid-1975. Balance of payments and inflation figures have improved; reserves are approaching $2 billion, with the current account deficit revised downward (below $700 million); and Yugoslav exports have increased some 35 percent over 1975, thereby generating vital foreign currency needed for imports. Yugoslavia's social product, which excludes public and personal services, increased some 6 percent in real terms during 1975 and is expected to maintain this growth rate through 1976.

U.S. suppliers enjoy a relative advantage vis-a-vis foreign competitors, since it is precisely in areas of U.S. leadership like advanced capital equipment and high technology that Yugoslavia will continue to permit imports. The United States, which retains a 5.4 percent share of the $8 billion local import market, is Yugoslavia's fourth largest supplier after West Germany, Italy and the USSR.

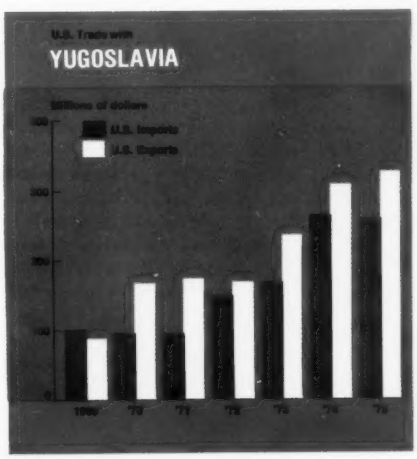
By 1977, the U.S. import share (c.i.f.) may reach 6 percent, with total imports approaching $500 million; much of the increase will emanate from major U.S. investments in energy development, chemicals, and the high priority placed on development of agricultural and food processing industries.

Joint ventures continue to be favored by Yugoslav officials. To date, 17 such agreements have been consummated with U.S. firms. Recently, investment regulations were issued which require joint ventures to develop export capability sufficient to secure repatriation of invested foreign resources and profit, and which limit the foreign equipment component to one-third of total investment.

Best prospects for American suppliers involve capital equipment and high technology, especially in the sectors of power generation, agricultural equipment, food processing, extraction of raw materials and heavy engineering.

In all sectors United States suppliers should attempt to deal with end-users who have the demonstrated ability to generate exports on their own, i.e., obtain foreign currency, in order to comply with the 30 percent (export-import) coverage requirement facing most Yugoslav imports.

Upcoming promotional events include: technical sales seminars on energy development, October 1976, and avionics, February 1977, in Belgrade; an international exhibition on food processing and agricultural equipment at Novi Sad, May 1977; and a trade mission on communications, April 1978, in Belgrade.



GREECE

Industrialization Offers New Sales Opportunities

Responding to the reflationary policy of the government, the Greek economy continues to show signs of growth. The anticipated higher economic activity in 1976 offers to the U.S. good prospects for enhanced sales opportunities, according to John L. Priamou of the Bureau of International Commerce.

In 1975 GNP rose 2.8 percent; as the government continues its moderate expansionary policy, real GNP growth in 1976 is expected to reach 4 percent. Industrial production showed a relatively steady increase.

As Greece is moving forward to accession to the EEC, the need for modernizing and restructuring its industrial base has become more urgent. However, although both domestic and foreign investment is still lagging, the 1975 increase in deposits and the recent announcement of a number of major projects may indicate the beginning of revived confidence and investment interest. The government recognizes the significant role that foreign technology and investment will play in the development of the country and has repeatedly expressed its interest in attracting foreign capital and managerial know-how, especially in the mining and petrochemicals' industries.

In addition to legislated incentives, Greece offers an adequate and easily trained labor force and proximity to and good business relations with Middle Eastern, Balkan and African countries. In addition, the recent influx to Athens of a large number of regional marketing headquarters from Beirut may augur the genesis of Greece as a new regional commercial center.

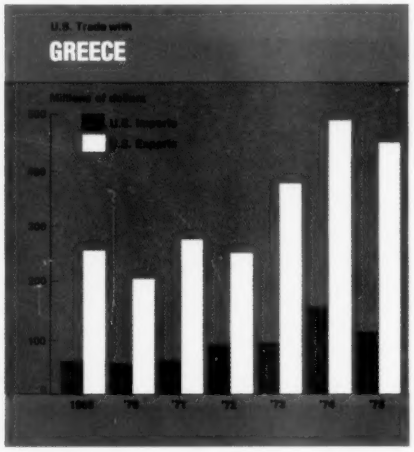
Although Greece's future prospects are positive, the country is still burdened by its chronic trade deficit. To counterbalance this the government emphasizes a policy of import substitution and export expansion.

In 1975 exports did not perform as anticipated, rising only 7 percent by volume (10 percent in value) to $2.3 billion. Imports, on the other hand, increased by 5 percent to $5.6 billion, but fell in actual volume. As in the past, invisible receipts, especially from tourism, helped to offset the current account deficit, reducing it to about $1.2 billion.

During 1975 U.S. exports to Greece represented 9 percent of the total Greek import market. As the economy improves and as the industrial modernization drive commences, the prospects for expanded sales are excellent.

American products enjoy a good reputation in the Greek market. However, the reduction in Greek tariffs on Common Market goods requires aggressive marketing efforts, competitive financing and servicing arrangements in order to maintain and increase the U.S. share of the market.

A number of growth areas, especially in transportation, environmental protection and mining, should be of special interest to U.S. suppliers. In addition, there are excellent opportunities in petrochemicals, fertilizers, food processing, tourism and ship maintenance. During 1977 the U.S. Department of Commerce has scheduled a mining equipment trade mission and a technical sales seminar on avionics and ground support equipment.



TURKEY

Economy Retains Vitality In Face Of Difficulties

Turkey has some serious recessionary problems, mainly balance of payments difficulties and high rates of inflation and unemployment, but indicative of a basic vitality in the economy are the sustained real growth rates of 6 to 7 percent over the last five years. With real GNP growth of 7.9 percent, 1975 was no exception. Another good agricultural year portends an even better growth rate of 8.1 percent for 1976, adds Ann Corro of the Bureau of International Commerce.

Machinery and transport equipment have traditionally led U.S. exports to Turkey and Turkish investment programs in both the private and public sectors insure a continuing need for such imports. U.S. exports to Turkey rose substantially over 1974, while the U.S. share of Turkey's import market remains just under 10 percent and is expected to stabilize at that level this year.

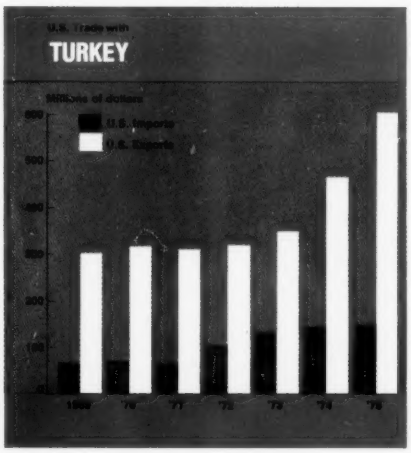
Due to Turkey's severe balance of trade deficit in 1975 of $3.3 billion (exports of $1.4 billion, imports of $4.7 billion), the government has announced a $5 billion import licensing program for 1976 and estimates that exports will rise to $2.1 billion and a trade deficit of no more than $2.9 billion will be maintained. During the first four months of 1976, overall Turkish exports increased 105 percent from $457 million to $935 million, offering encouragement for Turkey's export prospects. Imports, on the other hand, have been limited to a 6.1 percent increase over the first quarter of 1975, or $1,248 million.

While no formal program to slow import growth has been implemented, the determination of the Turkish Government to keep its trade deficit within $2.9 billion in 1976 has resulted in delays in approving transfers of foreign exchange to pay for import transactions.

Turkish critics of this restricted import policy have pointed out that more export encouragement and imaginative use of international financing opportunities should be tried first before curbing imports of capital goods and raw materials, a move which runs the risk of retarding real GNP growth as well as contributing added inflationary pressures.

U.S. prospects for immediate sales of specific machinery and equipment are especially promising in public and private investment projects for the establishment of textile and ready-to-wear clothing facilities; chemical, petrochemical, fertilizer, pulp and paper plants; petroleum and mineral exploration; ore processing plants; thermal and hydroelectric (and possibly nuclear) power plants; and modernization and expansion of port, railroad and highway transportation facilities. Of increasing importance to the successful selling of U.S. goods to Turkey is the added inducement of offering suppliers credits and attractive import financing package assistance from Eximbank or other U.S. commercial banks.

Commerce's trade promotion program for Turkey will include two trade missions during 1977 in the product areas of communications equipment (February) and mining equipment (April).



TRADE WITH SOCIALIST NATIONS: RECORD SURPLUS SEEN FOR U.S.

Large Grain Sales Swell Exports

U.S. trade with the socialist countries in 1976 is expected to net this country a new record surplus, one exceeding $2.5 billion, principally because of continued large grain sales to the USSR and Eastern Europe, reports William P. Thorn, Jr., of the Bureau of East-West Trade.

During January-May 1976, U.S. exports to the USSR and Eastern Europe, with the exception of Romania and Hungary, increased substantially over those of the same period in 1975. Exports to the Soviet Union reached $1.2 billion, almost triple the 1975 level. Exports to Czechoslovakia ($54 million), Bulgaria ($31 million), and the German Democratic Republic (GDR) ($27 million), for the first five months of 1976 surpassed the levels registered for all of 1975. U.S. imports from Bulgaria, the GDR, Poland, and Romania have grown this year, while imports from Czechoslovakia and Hungary have declined slightly. U.S. imports from the Soviet Union fell $73.2 million during this year's January-May period. In trade with the People's Republic of China, U.S. exports fell by 5 percent to $108 million but imports rose 17 percent to $76 million.

All the socialist countries unveiled 1976-80 economic development plans this spring, and these may generate trade opportunities for U.S. firms. Generally, the plans emphasize modernization and expansion of existing plants, rather than new construction, and call for priority development of the chemical, petrochemical, machine building, and energy-related industries. In an effort to combat hard currency deficits rapidly, these nations are also stressing the necessity of expanding their export potential.

Financing will continue to play a key role in U.S. trade with the socialist countries, primarily because their hard currency deficit is expected to top $9 billion this year. With the exception of Poland and Romania, these nations are still not eligible for Eximbank credits, and U.S. companies will continue to be hard pressed to compete with Western European, Japanese, and Canadian firms which can utilize government-backed credit programs.

During the spring, three of the private sector joint councils convened to discuss possibilities for expanding economic and commercial relations. The Czechoslovak-U.S. Economic Council held its first plenary session while the Romanian-U.S. Economic Council and the Polish-U.S. Economic Council met for the second and third times, respectively. And while the businessmen were thus examining trade relations, government officials in the United States, Poland, and Romania were beginning preparations for the sixth meeting of the Joint Polish-American Trade Commission, scheduled for September, and the third session of the Romanian-U.S. Economic Commission, which will take place at the end of the year.

Other commercial highlights this year included the first U.S. commercial exhibition of the GDR's Leipzig Fair in March. Hungarian Deputy Prime Minister Szeker visited the United States in May to discuss with President Ford, Congressmen and other U.S. Government officials the development of trade relations and possibilities for future economic cooperation. In June, Treasury Secretary Simon visited Poland, where he signed ratification documents for a double taxation convention. He also attended the U.S.-Romanian Economic Council meeting in Bucharest.

USSR

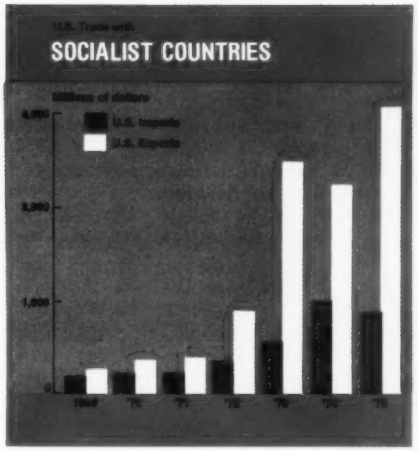
New Economic Plan Seen Spurring Purchases In West

U.S.-USSR trade turnover in 1976 should reach $2.6 billion, establishing new records for U.S. exports of both grains and manufactured goods, according to William P. Thorn, Jr., of the Bureau of East-West Trade.

U.S. exports are expected to total $2.3 billion (a $500 million increase over the 1975 level), 65 percent of which will be agricultural commodities. As the Soviet grain crop this year is expected to fall about 5 percent below planned levels, chances are good that the USSR will purchase more than the minimum 6 million tons of grain called for in the 1975 U.S.-USSR Grain Agreement, with total purchases for the year probably reaching $1.5 billion.

U.S. imports from the Soviet Union should approximate the 1975 level of about $255 million. The USSR will continue to supply the United States with platinum group metals, nickel, chrome ores, fuels, and some chemicals.

At the USSR's 25th Communist Party Congress in February, the Soviet leadership again stressed the importance of trade with the developed West and unveiled guidelines for the 1976-80 five-year

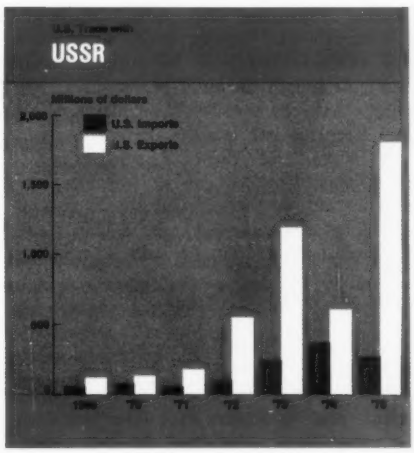


plan (available from USSR Division, BEWT, 202-377-4655). Officials emphasized the need to modernize and expand existing plants rather than to construct new facilities and called for the increased use of compensation arrangements in purchasing machinery, equipment, and technology from the West.

The planned development of certain industrial sectors may generate export opportunities for U.S. firms. In energy, Soviet plans call for rapid development of West Siberian and several offshore oil and gas deposits. Imports of pipe, compressor stations, valves, processing plants, submersible pumps, offshore rigs and other equipment will be required. In addition, the USSR is seeking equipment and/or complete plants to manufacture offshore oil rigs and other oil and gas equipment. Purchases of coal mining equipment will be made in order to expand the Ekibastuz open-pit mine and South Yakutia coking coal deposits.

The chemical industry will continue as the USSR's fastest growing industry and the Soviets will need imports from the West to meet targets for production of fertilizers, rubber, synthetic materials, and man-made fibers.

In metallurgy, the country is seeking



Western participation in constructing a pilot plant at the Udokan copper deposit, in building an aluminum smelter at Sayanogorsk and an alumina refinery at Nikolaev, and in expanding the production facilities for copper, nickel and platinum at Norilsk. In 1975, the USSR imported more steel products than it exported, and it will likely continue to import steel goods, particularly pipe, from the West.

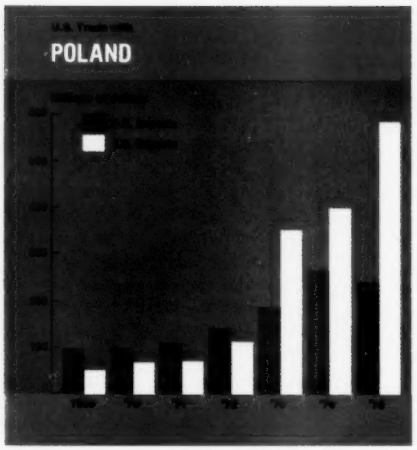
Moscow's preparations to host the 1980 Olympic games will necessitate a variety of imports. The Soviet Union's Olympic Organizing Committee has been studying what facilities must be constructed, re-equipped, or imported. Construction systems and equipment for sports facilities head the list of requirements along with various types of sporting gear, food services, and accommodations for participants and guests. In addition, the Soviets will probably import communications, data transmission, and processing systems and equipment.

The USSR is purchasing tractors, cranes, and drilling and tunnelling equipment to continue construction of the second Trans-Siberian railroad, BAM. Further opportunities will be generated by land reclamation programs and by modernization of the machine building industry, especially with respect to agricultural machinery and equipment.

At the same time, however, certain impediments will continue to hamper U.S. firms' efforts to seize these potential trade opportunities. The USSR, after registering a 1975 hard currency deficit exceeding $6 billion, is expected to incur a similarly large deficit this year, making financing of U.S.-USSR trade critically important. Since the Soviet Union is still not eligible for Eximbank credits, American firms will remain at a marked disadvantage vis-a-vis their Western European, Japanese, and Canadian competitors who are able to utilize government-supported credit programs. Also, the Soviets continue to be dissatisfied with U.S. trade legislation that attached conditions to granting MFN to the USSR.

Nevertheless, Soviet trade and industry officials continue to support trade with America: Several substantial contracts were awarded to U.S. firms in the last six months; in January, three more U.S. companies received permission to open accredited offices in Moscow; and three additional firms have signed cooperation agreements with the USSR State Committee for Science and Technology this year.

In 1977, the Commerce Department will participate in the June ELECTRO-77 exhibition of electro-technical and power transmission equipment, and in the September CHEMISTRY-77 exhibition of equipment and processes for the chemical industry. Both are to be held in Moscow.



POLAND

Trade With U.S. Expanding; Investment Law Enacted

Five-month trade figures support expectations that U.S. trade with Poland should top the billion dollar mark this year, according to Susanne Lotarski of the Bureau of East-West Trade.

U.S. exports to Poland are expected to grow to over $650 million, up from $583 million in 1975. The gains will come primarily from increased agricultural sales, principally feedgrains. The growth in machinery deliveries is expected to taper off during the second half of this year, as earlier-contracted projects near completion. Exports through the end of May totaled $255 million.

U.S. imports from Poland also are expected to show a healthy advance in 1976 to about $350 million, after a marginal contraction in 1975. The boost to U.S. imports of Polish goods, from a 1975 level of $240 million, will come from the introduction of copper and brass industrial products and increased deliveries of meat, coal, textiles, and clothing articles. Imports from Poland grew by 22 percent during the first five months of 1976, for a total of $130 million.

Despite these encouraging figures and a continuing high demand for a variety of products, American exporters are likely to encounter greater difficulty in making new sales to Poland in 1976 and more emphasis on counterpurchases. A visible trade deficit with the industrialized West of over $3 billion in 1975 has led to various measures designed to control the growth of foreign debt. Poland's exports in 1976 are slated to grow at twice the rate of imports. The ability to import, moreover, has been closely tied to exports. Individual ministries, and to some extent individual industrial associations and foreign trade enterprises, now operate under annual trade balances which require that their imports be covered by exports of equivalent value. Polish importers can thus be expected to attach increasing importance to offset purchases.

Industrial cooperation is receiving continued emphasis. For large-scale industrial cooperation projects, special importance is attached to arrangements which will develop export markets and limit or eliminate the net inflow of hard currency throughout the life of the project. Supplier credits, local-cost hard-currency credits, a buy-back commitment, and partnership in a joint marketing company outside Poland are sought as part of the cooperation package.

The enactment in May of a foreign investment law opens additional commercial possibilities in Poland. The crafts, domestic trade, gastronomic and hotel services, and other services are specified as areas open to foreign investment. Joint venture in larger projects, however, such as the development of potash, iron ore, and rare metal deposits or of aluminum smelters, may also be possible under this law. Poland is the third country in this area to permit foreign investment.

A system of tariffs on commercial imports was introduced as of the first of the year. Its impact on import decisions is as yet uncertain. It is unlikely to be a major influence in the near future or have a negative influence on U.S. exports. Since the United States grants Most-Favored-Nation treatment to Poland, U.S. goods would be subject to the lower MFN rate.

Poland's economy grew impressively over the last five years. GNP increased on the average by 10 percent annually and capital investment by 20 percent. Although the final version of the 1976-80 five-year plan has not yet been adopted, available information indicates it will attempt to ease some of the strains and disequilibria generated by this fast growth. A slightly lower growth rate is planned for both GNP and real wages. Investment priorities will concentrate on the completion of projects and the modernization of existing facilities, rather than construction of new projects. Some long-range and social infrastructure investments may be postponed temporarily.

The most difficult problems are likely to be encountered in meeting consumer demands and adjusting domestic prices. Prices of basic consumer items, primarily foodstuffs, have been frozen since 1971 and are slated to be increased this year. Efforts to balance demand and supply and to stimulate production, as well as those to link wage increases to productivity gains and to use manpower more efficiently will involve not only economic, but also sensitive political decisions.

BULGARIA

Trade Expands As Demand For U.S. Equipment Grows

U.S. trade with Bulgaria, although still modest, has continued to expand in 1976, surpassing the entire 1975 total during the first five months of the year. This expansion can be attributed to continued Bulgarian demand for U.S. feedstuffs and growing purchases of U.S. manufactured goods. Bulgaria's new five-year plan suggests that there will be increased desire for U.S. goods and technology, William T. Monroe of the Bureau of East-West Trade reports.

U.S. exports to Bulgaria totaled $31 million through May, led as usual by sizable shipments of corn. Exports of manufactured goods are increasing steadily as business contacts expand and the commercial climate improves. Still, U.S. sales fall far short of those of some Western European competitors. West German exports to Bulgaria, for example, totaled $418 million in 1975, and Italian sales reached $131 million.

Bulgaria's 1976-80 five-year plan stresses modernization and expansion of existing plant and equipment and, with emphasis on new technology, should offer major opportunities for U.S. firms. Special emphasis will be directed toward three areas: energy and raw materials, machine-building, and chemicals. Capital investment is expected to reach $30 billion and imports of plant and equipment should total $7.5 billion.

Prospects for U.S. firms appear especially promising in the chemical/petrochemical sector, which should expand output by 80 percent by 1980. Plastics, in particular, will receive special attention, with output expected to grow from 140,000 tons in 1975 to 430,000 tons in 1980. Machine building will double under the plan, with 25 percent of existing equipment to be upgraded.

Agriculture and food processing will continue to offer significant opportunities for U.S. companies. Increased mechanization and automation of the production process, modernization and expansion of irrigation facilities, special efforts to increase livestock production, and expanded use of chemicals will mark developments in this sector.

Other areas of interest include electronics, metallurgy, and construction. In the latter, Bulgaria plans an active program in the building of housing, hotels, industrial plants, and roads. In addition, Bulgaria has indicated increasing interest in Western consumer goods and has allocated $30 million this year for purchase of licenses and finished products.

The U.S. exhibition at the Plovdiv Fair in September will feature firms from the chemical and construction industries. In November, Commerce is planning to send a technical sales seminar on machine tools to Sofia.

A limiting factor in trade may be Bulgaria's ability to pay for imports from the West. Bulgaria registered a nearly $800 million deficit in trade with the industrialized West in 1975. Although this was partially offset by a surplus in trade with the developing countries, as well as by earnings from tourism and international trucking, the Bulgarians have been relying increasingly on credits and compensation arrangements to pay for imports from the West.

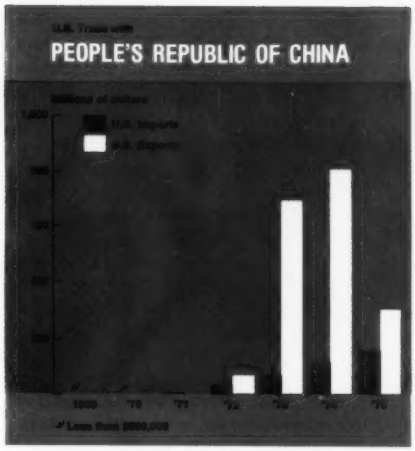
CHINA

U.S. Exports May Decline This Year, Imports Increase

U.S. exports to the People's Republic of China may decline moderately in 1976, due to the disappearance of agricultural sales. Continuing a long-term trend, nonagricultural exports should rise slightly, led by equipment and technology for petrochemical plants, oil-field equipment, mining machinery, instrumentation, aluminum, steel scrap, and pulp and paper, according to John Phipps of the Bureau of East-West Trade.

The overall level of trade will remain about the same as last year, because of an expected increase in imports from China; U.S. exports should reach $250 million and imports, $200 million. The sharp decline in the trade imbalance, which had been as high as 11 to 1, has eliminated one cause of friction.

A wider range of U.S. products should find a Chinese interest as the PRC embarks on the Fifth Five-Year Plan, and its foreign exchange earnings grow through expanding exports in a rebounding world economy. Some urgency attaches to the current plan as it coincides



with the conclusion of the first of two phases in a widely publicized, long-term plan to put China in the front ranks of the world's industrial nations by the end of this century. Requirements may lead to purchases in such product areas as oil-field, construction and mining equipment, petrochemical plant and technology, machine tools, transport and power generation equipment, steel scrap, pulp and paper, and chemicals. Major purchases of cotton and other U.S. agricultural products could occur again.

Commercial relations continued to develop in 1976 despite the existence of a number of old unresolved problems. The National Machine Tool Builders' Association hosted a visit by a delegation from the China National Technical Import Corporation which held discussions with numerous American firms and signed contracts for the purchase of $7 million of machine tools. China again invited over 400 U.S. businessmen to attend the Spring Canton Trade Fair and invited a growing number of U.S. firms to stage technical seminars in Peking. The National Council for United States-China Trade visited its counterpart Chinese organization in July to discuss a number of proposals to send American technical seminar groups to China. The third such group to be invited to the PRC is the agricultural chemicals delegation, organized by the Council and due to visit China in August. The Council continued its important role of sponsoring visits to the U.S. by Chinese trade corporations.

Normalization of commercial relations is still impeded by a number of unresolved issues. Exchange of trade exhibitions and normal banking and shipping relations await the resolution of the linked issues of PRC assets blocked in the United States and U.S. private claims against China. Most-Favored-Nation tariff status and Eximbank credits can be granted to China only if a trade agreement is reached as required by the Trade Act of 1974. Such an agreement involves a number of complex questions.

CZECHOSLOVAKIA

Five-Year Plan Boosts Trade, Licensing Prospects

Improved world economic conditions and a flurry of purchasing at the onset of the new five-year plan period, 1976-80, have given a boost to Czechoslovakia's 1976 trade with the United States. As a result, U.S. firms may find a number of important new business opportunities in Czechoslovakia, reports James L. Ellis of the Bureau of East-West Trade.

As in the past five-year plan period, current Czechoslovak priorities stress increased availability of desired consumer goods, and the development of the petrochemical and machine tool industries. Trade possibilities present themselves in these areas in particular, with such items as computer controls for machine tools, petrochemical instrumentation and control equipment, food processing and packaging machinery, and equipment for the plastics industry.

In addition, prolonged dry weather has diminished prospects for a good harvest in Czechoslovakia and so may cause an increase in purchases of animal feeds, the United States' principal export to Czechoslovakia.

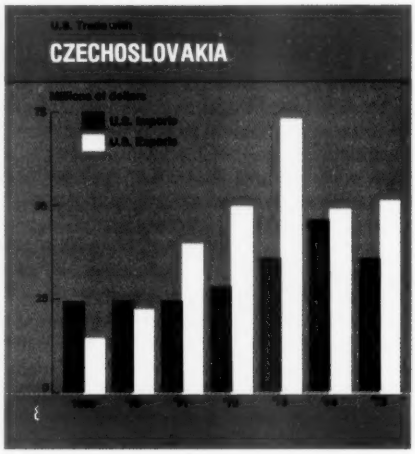
In the long run, Czechoslovakia trade will probably not move far away from its two-thirds orientation with the USSR and other socialist countries, because of energy and raw materials needs which must be met from these sources, as well as because of long-term trade commitments with the area. Czechoslovakia seeks to become more competitive in Western markets, however, and so is striving to develop production of those goods which will sell there.

To promote foreign business presence and participation in current Czechoslovak projects, at the beginning of this year the Czechoslovak Government enacted a decree allowing for the first time establishment of business offices in the country. A number of applications have been submitted under the new regulation, but to date no offices have been established.

In addition, directives are about to be passed which will encourage a variety of cooperative ventures (short of joint equity) with foreign firms. These could include buy-back arrangements, joint production or marketing, or joint ventures in third countries. Czechoslovak planners reckon that, with the benefit of advanced-technology licenses, Czechoslovakia can produce modern components for foreign firms more cheaply than they could be produced elsewhere.

In the first five months of 1976, U.S. exports to Czechoslovakia exceeded the total for the whole year of 1975—over $54 million, by U.S. statistics.

The year has been marked by an exceptional number of official U.S. trade promotion events in Czechoslovakia, including technical sales seminars in food processing and plastics production, and a catalog exhibition at the INCHEBA Petrochemicals Fair. In addition, the Commerce Department will sponsor a full exhibition in computer-related materials handling equipment at the annual Brno Engineering Fair, Sept. 15-23.



GERMAN DEM. REPUBLIC

Modernization Stressed, Western Technology Sought

The German Democratic Republic's prospects for a significant trade expansion with the West appear somewhat dim—in view of the higher prices the country is now paying for raw materials from the Soviets and a growing trade deficit with the West. Those Western suppliers who are able to penetrate the GDR market, moreover, will come under increased pressure to agree to counterpurchases and to accept a larger percentage of payment in product, according to Donald Hasfurther of the Bureau of East-West Trade.

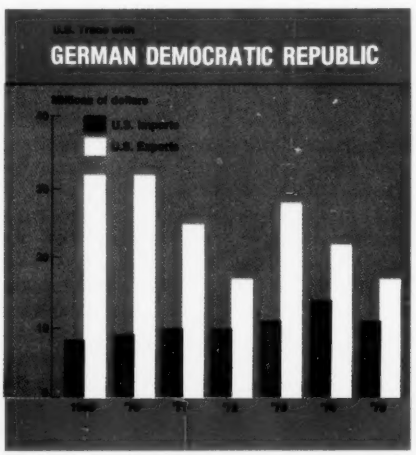
Despite this rather pessimistic picture, the GDR will be looking increasingly to the West for assistance in modernizing certain industrial sectors. Industrial plants are to be renovated and re-equipped with the most up-to-date technology in an effort to improve the quality of the manufactured product, both for domestic consumption and for export to market economies. A great deal of the modern equipment and technology for this effort will be purchased from Western sources. Outside of agricultural commodities, industrial equipment and technology offer the greatest potential for increased U.S. exports to the GDR.

The new 1976-80 five-year plan serves as an important reference for determining those priority areas in the GDR economy which could offer significant trade opportunities. According to the plan, industrial goods production is to increase by 36 to 38 percent, while industrial productivity is to increase by 30 to 32 percent during 1976-80. The plan further specifies that 60 to 70 percent of the increase in productivity will result from technological advances.

It is not surprising, therefore, that the new plan emphasizes the rapid development and installation of products embodying advanced scientific-technological parameters, such as communication equipment, automation equipment, medical and laboratory equipment, and measuring and weighing appliances. The plan also calls for introduction of the most advanced processes and methods of automation. U.S. companies, consequently, may find it to their advantage to concentrate selling efforts on new methods and machinery which can increase productivity levels.

To fulfill its ambitious economic plans, the GDR must not only increase industrial productivity, but must also strengthen its export efforts. Again the GDR will be emphasizing introduction of advanced equipment and technology in order to make the cost and quality of GDR goods competitive in the West. Those items marked for particular development to meet domestic and export demand are machine tools, strip-mining and transportation equipment, cement plants, foundry equipment, textile machines, packaging machinery, equipment for the printing industry, medical, laboratory and measuring equipment, agricultural and food processing machines, and machinery for the construction industry.

The Commerce Department will be sponsoring an industrial instrumentation exhibition at the '77 spring Leipzig Fair.



HUNGARY

Industrial Cooperation Agreements Emphasized

Publication of the Fifth Five Year Plan of the Hungarian National Economy reveals a potentially lucrative market for sales of American products, Mona F. Levine of the Bureau of East-West Trade reports. U.S. companies interested in trading with Hungary should consider industrial cooperation agreements as a way of penetrating the market. Increasingly, Hungarian authorities are looking at arrangements involving coproduction and payment in product as a way of gaining needed Western technology.

Expansion of U.S. exports of industrial goods should continue the steady growth pattern of the last three years. Total exports, however, may increase only slightly during 1976 due to the decline in U.S. soybean sales, which accounted for one half of the total exports in 1975.

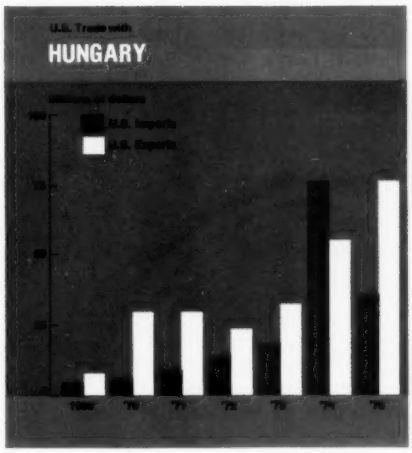
Several areas in Hungary's 1976-80 Plan offer possibilities for U.S. exporters. Hungarian officials indicate that they plan to spend $6 to $8 billion for purchases of machinery and equipment over the Plan period. Hungary will be concentrating on development of its agriculture and food processing, chemical and petrochemical, metallurgical, electronic and computer industries. Particular stress will be placed on development of export industries.

Hungarian enthusiasm for cooperation ventures stems from the country's need to further develop its industrial base at the same time that it conserves scarce hard currency to fight the trade deficits that have plagued it for the last few years. Hungary hopes to maintain the annual growth rates of 6 percent that it achieved over the period of the 1971-75 Five-Year Plan. Since zero population growth is expected, industrial development will have to be achieved through greater efficiency in production and introduction of labor-saving methods and equipment. However, with a hard currency trade deficit of $557 million in 1975, Hungary will be cautious about expenditures in the West.

U.S. firms have achieved notable success with cooperation in the field of agricultural equipment, and recently signed agreements should account for significant business growth in areas such as medical instruments and shoe machinery. During his official visit in May as the guest of Commerce Secretary Elliot L. Richardson, Deputy Prime Minister Guyla Szeker indicated that he saw possibilities for American firms in these areas, as well as in the vehicle industry, electronics, fertilizers, pesticides and herbicides, petrochemicals and pharmaceuticals.

Noting that the reciprocal extension of Most-Favored-Nation status is the most important obstacle in the way of significant trade expansion, Szeker emphasized that business opportunities exist even within the current restraints.

Commerce plans to sponsor seminars on pollution control equipment in December and medical equipment in February, and will mount an exhibition featuring agricultural and food processing equipment at AGROMASEXPO, Hungary's agricultural fair, in April.



ROMANIA

Trade Growth Expanding U.S. Firms' Opportunities

U.S. trade with Romania in the last 18 months has leveled off—at least temporarily—after a sustained rise of about 510 percent during the preceding five years, from $79.8 million in 1970 to $408.3 million in 1974, Suzanne F. Porter of the Bureau of East-West Trade reports.

The trade level for the first five months of 1976 is about 6.3 percent above that of the same period in 1975 ($136.5 million in 1975, compared with $145.1 million in 1976). The Romanian Government anticipates that U.S.-Romanian trade will pick up during the last half of this year and raise the total to about $400 million or more for the year, an increase of at least 16 percent over the 1975 total.

Romania plans to allocate between 33 and 34 percent of its national income to development of its economy during the current Five-Year Plan period, with about 60 percent of this amount being invested in the expansion and modernization of Romanian industry. Romania also plans substantial growth in the volume of its foreign trade and expects in particular to import plants, machinery and equipment. U.S. exporters can therefore anticipate trade opportunities in selected areas which the Romanians have designated for growth and investment.

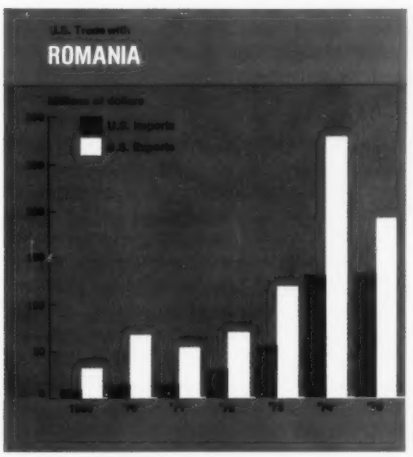
The industrial sectors most heavily targeted for growth are machine building, chemicals and petrochemicals. Specific areas of expansion include electronics and electrical engineering, fine mechanics and optics, and metal cutting machine tools. In the chemical industry the Romanians expect to use domestic raw material resources whenever possible to meet planned targets. In petrochemicals, priority is being given to the output of synthetic yarns and fibers, plastics, synthetic rubber, and fertilizers.

As a part of its continuing economic development program, Romania is emphasizing cooperation activities with other countries, especially in manufacturing and in technological and scientific sectors. Trade opportunities are expected in such priority areas as plant and equipment for steel mills, oil drilling rigs and equipment for light and food industries. Cooperation activities may be located in the territory of either partner or in third countries, the latter of which the Romanians continue to emphasize to prospective Western partners.

The World Bank has recently provided financing for two major projects, the Rasova-Vederoasa irrigation and agricultural development project, and the Riul Mare-Retezat hydropower project. Both offer various areas of cooperation between U.S. firms and Romanian enterprises.

A renewable three-year Maritime Agreement between the United States and Romania was signed and entered into force on June 4. Among other provisions, the agreement encourages development of container transport in shipping between the two countries. The agreement does not cover fishing vessels.

The Commerce Department is sponsoring a number of trade promotion events in Romania in the last half of 1976.



NEAR EAST, NORTH AFRICA: DEVELOPMENT MOVING AHEAD

Business Prospects Remain Strong

Economic activity in the Near East and North Africa continues to flourish, although in several countries the spectacular increases in imports recorded over the past two years have slackened. Despite some slowdowns, the countries remain some of the fastest growing markets for a wide variety of U.S. goods and services, reports Kathleen Keim of the Bureau of International Commerce. Current projections estimate U.S. exports to the area will exceed $12 billion this year, 20 percent over 1975. In addition, U.S. architects, engineers, construction companies, and consultants could gain service contracts worth billions of dollars.

The growing impact of the Near East/North African market on the U.S. balance of trade is exemplified by the fact that in 1975 U.S. exports to the region were 9.4 percent of total U.S. exports as opposed to only 6.4 percent in 1974. U.S. imports (primarily petroleum) from the area in January-May of this year totaled $5.3 billion, an increase of 56 percent over the same period in 1975. With U.S. imports from the Near East and North Africa rising at a faster rate than exports, a deficit in the U.S. balance of trade with the area is expected in 1976. This is in contrast to the substantial surplus recorded last year.

The largest markets for U.S. products in the Near East and North Africa are Iran, Saudi Arabia, and Israel. In all three countries, the United States is the leading supplier with 20, 31, and 22 percent of the market, respectively.

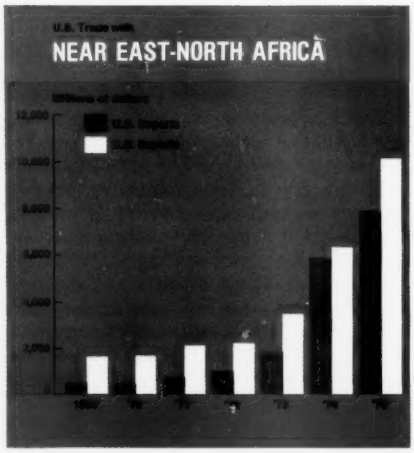
Iran's rapid pace of development is by no means a recent phenomenon, although the oil price increases of 1973-74 moved Iran from a capital deficit to a capital surplus position almost overnight. Some of the euphoria of those years has given way to a more pragmatic approach to development, but Iran continues to advance toward its goal of becoming a modern industrial power.

Saudi Arabia, which is in the early stages of development, is accruing oil revenues in staggering amounts. Furthermore, the country will continue to be the world's leading oil exporter for a number of years, earning large amounts of money to carry out its ambitious development plans, invest abroad and assist less wealthy developing countries.

Israel has a well developed infrastructure and industrial sector in comparison with neighboring countries. It is a sophisticated technology-oriented country which has experienced steady economic development throughout its 25-year history. Further growth will be centered on science-based, export-oriented industries. Historically close relations between the United States and Israel plus U.S. superiority in high technology products make Israel a natural customer for U.S. products and services.

Oil dominates any economic discussion of the Near East and North Africa, where large oil exporters—Algeria, Iran, Iraq, Kuwait, Libya, Qatar, Saudi Arabia and the United Arab Emirates—are members of OPEC (Organization of Petroleum Exporting Countries). A recent study estimates Near East/North African OPEC oil revenues will top $90 billion this year and should exceed $110 billion by 1980. Translated into opportunities for U.S. business, it is estimated that the countries will import annually about $75 billion worth of goods by 1980 and almost $90 billion by 1985. With the exception of the United Arab Emirates and Qatar, the countries now have, or are completing work on, development plans which give an indication of spending priorities over the next several years.

Most of the oil-exporting countries are undergoing accelerated rates of development, and massive capital inputs are straining existing infrastructure and human resources. Port congestion is probably the most serious constraint to economic development; ships are experiencing delays of up to 100 days in some ports. A shortage of managers and skilled and unskilled labor also is a critical factor, necessitating an influx of foreign workers who are overtaxing available housing. These problems, plus others in transportation, communications and power, have created serious inflationary pressures.



The governments are aware of these obstacles to economic development and are seeking to overcome them as rapidly as possible. In almost every country massive housing projects—whole new towns—are under way or being planned. Billions of dollars have been allocated for modernization, expansion and construction of additional port facilities, together with streamlining of cargo handling methods and customs procedures. Additional billions will be spent on large scale water desalination/power complexes, roads, airports, sewage facilities, schools, hotels, hospitals and recreational facilities.

The resulting improvement in facilities and services will sustain industrial growth devoted primarily to expansion of the petroleum industry. Among the planned projects are refineries, LNG, LPG, petrochemical, and fertilizer plants and gas and oil pipelines. Other smaller industrial projects to be undertaken range from aluminum plants and construction-related industries to paper bag factories.

Qatar is expected to earn $2 billion in oil revenues in 1976. However, the future of the country will be based on recently discovered non-associated natural gas which should last hundreds of years after the oil runs out. Like other oil-exporting countries, Qatar is industrializing using petroleum and natural gas as fuel or feedstock.

In the past year an increasing number of U.S. architects, engineers and contractors have shown interest in Qatar's major projects. U.S. manufacturers, especially in construction equipment, building materials, housewares and household furnishings and materials handling equipment, are also discovering an attractive market for their products.

Oman's 1976-80 development plan, currently under discussion, attempts to move away from dependence on oil by developing mineral resources and light industries. Agriculture is also a priority area to decrease dependence on imported foodstuffs. A small country faced with a shortage of technically trained personnel, Oman has turned to foreign advisors and technical assistance. The United Nations and World Bank are providing assistance to the Omani Government in areas of finance, education and agriculture. U.S. companies have been engaged to advise on uses for the country's hydrocarbon resources, to manage the airport and to provide consulting services for road construction.

Several of the oil-exporting countries have allocated substantial funds for loans and grants to Egypt, Syria, Jordan, Tunisia and other developing countries. Additional funds are being provided by "triangular" investment in which capital from richer countries is linked with foreign technology, hopefully American, to

develop projects in third and poorer countries. Based on these financial resources plus aid from other sources, including the United States, the non-oil exporting countries should not be ignored by U.S. business.

Syria's planners are currently preparing to issue the Fourth Development Plan (1976-80). Expenditures over the five years are expected to reach $16 billion, concentrating on development of petroleum resources, agriculture and supporting infrastructure. The outlook for U.S. exports to Syria appears bright as, contrary to previous policy, Syria now welcomes U.S. and other Western participation in the economy. A U.S. consortium, for example, recently signed a 26-year offshore oil prospecting contract.

In 1976, U.S. exports to Syria should more than double, based in part on sales of aircraft and locomotives totaling $121 million. In addition the U.S. Congress recently passed the FY 1976 aid package for Syria totaling $80 million. In contrast to the activity of U.S. suppliers in Syria, U.S. companies have not been able to gain large turnkey contracts during the past two and one-half years. The reluctance of U.S. companies to bid on projects is due primarily to political tensions in the area, inflation, bid and performance bond requirements, and stiff competition offering attractive financing.

Jordan's budget is heavily dependent on foreign aid ($122 million in 1975) and remittances from Jordanians living abroad ($166 million in 1975). Development programs are financed by long-term, low-interest loans from Arab countries, the United States and other Western nations and international financial institutions. Jordan's Five-Year Development Plan (1976-80) provides for expenditures of $2.3 billion concentrated on agriculture, mining, manufacturing, tourism, and transportation. Jordan, over the past year, has also passed legislation to encourage establishment of regional offices in Amman, the capital. To date, some 70 companies, 24 of which are American, have taken advantage of the incentives and have located their regional offices in Jordan.

North American countries (Libya plus the Maghreb countries of Morocco, Algeria and Tunisia) are sometimes overlooked by American business in the face of the glittering Saudi Arabian, Iranian and Kuwaiti markets. But these countries continue to develop their economies, providing business opportunities for those with the initiative, patience and the right products or services. The Commerce Action Group for the Near East (CAGNE), U.S. Department of Commerce, Washington, D.C. 20230 (phone 202-377-5341), can assist U.S. company officials interested in doing business in the Near East and North Africa.

ISRAEL

Foreign Investment, Capital Goods Sought

U.S. exports to Israel in 1975 rose 28 percent over the year before to a level of nearly $1.6 billion, reports G. Gayle Reichhardt of the Bureau of International Commerce. This made Israel America's second largest trading partner in the Middle East during 1975, exceeded only by Iran.

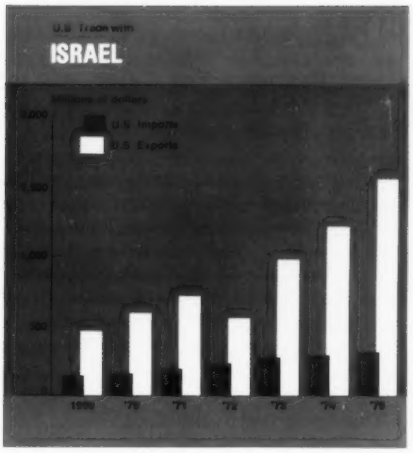
During last year, the United States also improved its position as Israel's leading foreign supplier, increasing its share of Israel's import market to 22 percent, a 4 percent greater share than in the previous year.

This trend of increasing U.S. exports to Israel is due principally to large Israeli purchases of American-made capital equipment and augmented by increased U.S. economic aid. As these trends continue, the level of U.S. sales to Israel may reach approximately $1.9 billion in 1976.

There are several reasons why U.S. exports to Israel are expected to increase this year. Although the slowdown in Israel's economic activity which began in 1974 continued during 1975, Israeli Government statistics indicate the GNP did increase in real terms by 1 percent during the year. Despite the government's continuing policy of economic restraint, higher economic growth is expected in 1976. This will present opportunities for expanded U.S. sales of capital goods, particularly in the high priority export industry and defense sectors. U.S. sales should be enhanced by assistance from the United States in the form of commodity import assistance.

Although interest in high-quality, high-technology American products is as strong as ever in Israel, U.S. suppliers will have to participate in an increasingly competitive market during the months ahead. Israel signed a comprehensive trade agreement with the European Community in May 1975 to reduce their mutual tariffs to zero by stages over the next several years. However, the Government of Israel has also agreed to reduce tariffs on about 130 U.S. exports to Israel which could be adversely affected by the Israel-EEC agreement.

Israel is actively seeking foreign investors to participate in its economic development, particularly in expansion of its science-based industries. Several factors may encourage American investors to explore opportunities in Israel. On January 1, 1976, Israel became eligible for the generalized system of preferences (GSP). Countries qualifying for GSP may export some 2,700 products to the U.S. duty-free.



This development, combined with Israel's duty-free arrangement with the EEC, would enable a U.S. investor engaging in a joint venture in Israel to export a number of products duty-free to both the U.S. and EEC markets. In addition, if ratified by the U.S. Senate, a treaty for the avoidance of double taxation on U.S. investments with Israel will take effect later this year.

Increased U.S.-Israel trade can economically benefit both countries. The governments of the two countries have been working together through a U.S.-Israel Joint Committee for Investment and Trade.

In addition, a joint Israel-U.S. Business Council has been formed to provide a valuable private sector complement to official government-to-government deliberations. The Council held its first plenary session in Jerusalem in June.

Throughout 1976, areas of greatest opportunity in Israel for U.S. exporters will be in the areas of chemical processing equipment, electronics, process control instrumentation, avionics and aviation support equipment, pollution control equipment, health care systems, power generating equipment, metal working and finishing equipment, and business equipment and systems. The Commerce Department will sponsor specialized trade promotion events in Israel for several of these product areas.

The Commerce Department will support U.S. participation in Israel's international trade fair, Technology '77, to be held in Tel Aviv June 1-8, 1977. The U.S. pavilion will feature U.S. machine tools, metalworking and metal finishing.

Commerce will also sponsor a building and construction trade mission to Israel during January 1977. A show-and-sell business opportunity on business equipment and systems is being planned to visit Israel in October 1976. Additionally, Commerce has been working with Shalom Stores Ltd. in Israel to arrange an in-store promotion on a U.S. Bicentennial theme Oct. 10-31.

ALGERIA

Major Opportunities Exist Despite Development Pause

Algeria continues to offer significant opportunities for U.S. exporting, contracting and consulting firms, though financial constraints have slowed the pace of development spending in recent months. U.S. exports to Algeria this year are expected to reach $512 million, down 19 percent from 1975, according to Claude Clement of the Bureau of International Commerce.

This projection is based on several factors. Following liberal import spending during 1974 and the early months of 1975, Algeria is now short of cash. Imports from all suppliers were temporarily reduced earlier this spring, as government officials set new spending priorities. At the moment, only those countries which supply large amounts of export credits, such as West Germany, are expanding their exports to Algeria. In addition, external financing has become an essential element in successful contract negotiations with Algerian state companies.

Realizing that financial constraints would necessarily slow down the planned rate of development, Algerian officials are reassessing development priorities and imposing stricter budget discipline on all contracting agencies. As a result, several major projects of the current $26.5 billion Development Plan have been shelved or cut in scope. Emphasis in the remaining two years of the Plan will be on improved management and satisfactory completion of those projects already started. While Algeria will remain a major market for U.S. suppliers, there will be a temporary lull in demand for capital equipment as the country reaches a plateau in its quest for industrial self-sufficiency.

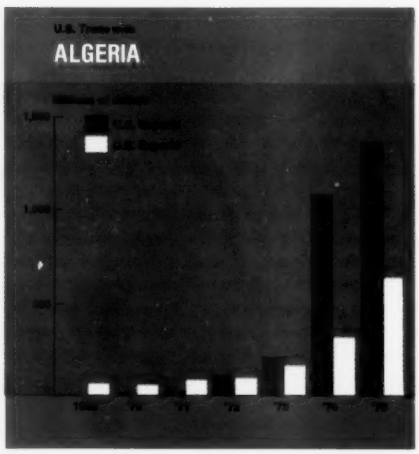
Another factor in the decline in U.S. exports this year is the recently signed wheat agreement with Canada calling for delivery of one million tons over a three-year period. Depending on world wheat conditions, this agreement and others which may follow with the European Economic Community and Sweden is likely to dampen U.S. wheat exports, which in recent years have accounted for about 30 percent of total U.S. exports to Algeria.

Algeria's financial problems are, however, short term. Revenue potential is strong—oil earnings will reach $5 billion this year and sales of condensate and liquefied natural gas are expanding. Algeria's current credit ratio of 15 percent is considered manageable by international financing sources—as evidenced by the award last May to SONATRACH, Algeria's hydrocarbon monopoly, of a $430 million Eurodollar loan in which several prominent U.S. banks participated. Japan's export finance facility also provided credits for SONATRACH's 1976 capital expenditure program in the form of a $350 million loan to cover imports of equipment for construction of two natural gas treatment plants at Hassi R'Mel. In June, Belgium provided credits of $128 million for work on the planned liquefaction plant LNG II at Arzew.

According to projections by Algeria's Ministry of Planning, development spending in 1976 will exceed $6 billion. The oil and gas sector, backbone of the economy, will absorb more than half of total industrial investment as top priority is placed on construction of production facilities for liquefied natural gas. Algeria's long-term goal is to have its natural gas exporting industry in place as its oil revenues decline in the 1980s.

Algerian needs are expressed through international calls for bids, hundreds of which are issued annually. Successful marketing involves matching one's products to a particular tender or sector targeted for expansion; corresponding and supplying literature in French (English is rarely understood); and long, hard bargaining with skillful negotiators who know well how to pit one firm against another and who stick tenaciously to contract terms once negotiated. The ground work must be done without agents or middlemen, who are officially discouraged by the Algerian Government.

Two events in recent months have highlighted the growing commercial ties between Algeria and the United States. A delegation from Algeria's Computer Agency joined U.S. Government officials and representatives from 14 firms at the Commerce Department to discuss Algerian plans in the data processing field; and a U.S. technical sales seminar on agricultural land development was held in Algeria in May.



EGYPT

Need For U.S. Goods In Development Programs

The Arab Republic of Egypt, with a 38 million population expected to increase to 70 million in the year 2000, is potentially by far the largest market in the Near East, points out John T. Haldane of the Bureau of International Commerce. As such, U.S. exporters have increasingly directed their attention there since 1973.

Total Egyptian imports from the United States have grown rapidly in each of the past two years, and should reach almost $1 billion in 1976. This trend should continue as the government pushes development programs in both the industrial and agricultural sectors and continues its efforts to rebuild the private sector.

Food grains and edible oils continue to be the most important component of exports to Egypt, but construction and road-building machinery is becoming a particularly significant product category, along with a growing range of manufactured items. As development efforts progress, imports of U.S. capital goods should by far outvalue agricultural commodity totals.

A continuing area of interest to U.S. firms is the development program of the U.S. Agency for International Development (AID). If current plans materialize, U.S. assistance will total more than $900 million for commodity import and project activities during the 15-month fiscal year ending Sept. 30, not including food grain sales under PL-480.

Investment prospects for U.S. business in Egypt have been dampened by the government's requirement that private sector-initiated projects must generate sufficient foreign exchange to preclude the necessity for virtually any access to Egypt's limited convertible holdings.

However, the potential for useful and profitable investment remains, both in domestic production facilities geared partially to develop local markets, and in off-shore free zone operations designed to take advantage of Egypt's ideal location for export to the Arab market.

One attraction in both kinds of projects is the possibility of linking U.S. technology and management skills with Arab oil funds seeking investment outlets.

A new Five-Year Plan, for the years 1976-80, has been drawn up and should be released in a few months. The Egyptian Government plans to invest about $20 billion, mostly in the industrial sector, but with significant inputs in agriculture, transportation and telecommunications.

Beyond the planned investments in spe-

cific industries and major projects, the government plans to make an intensified effort over the next five years to promote regional development in several target areas of the country with potential, but which have been neglected because of lack of funds.

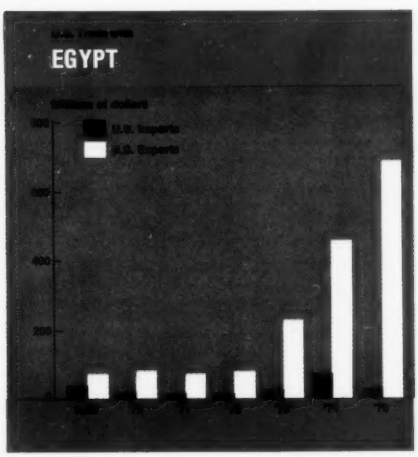
In addition to Egypt's traditional income from cotton, cotton textiles and tourism, two other sources of hard currency are becoming increasingly important. The Suez Canal Authority has announced that $215 million in fees were earned in the first 12 months of renewed operations, which was good news after eight years of no Canal income.

Oil exploration concessions now have been granted to a total of 29 foreign oil companies. Current projections, based on recent new discoveries and additional promising indications from ongoing exploration, indicate that Egypt may become a significant oil exporter by 1980.

Upcoming trade promotion events include a port development technical seminar in October and a food processing and packaging trade mission in March.

A recent meeting of the Egypt-U.S. Business Council's executive committee focused on the efforts by a number of leaders of the U.S. business community to help Egypt attract U.S. investments. The participants agreed that the most significant development to emerge from the session was the presentation of 35 abstracts of Egyptian projects viewed as the most suitable for joint ventures. The initial list of projects reviewed numbered over 250 individual proposals. The studies are available from the Egypt-U.S. Business Council, Chamber of Commerce of the United States, 1615 H St. NW., Washington, D.C. 20062.

The U.S. pavilion at the Ninth Annual Cairo International Fair, held in March, was a success, with 20 American firms reporting $4.5 million in immediate sales and $9.5 million in 12-month projected sales. Most of the sales were in construction and heavy machinery.



IRAN

Economic Indicators Seen Resuming Upward Trend

The economic slowdown in Iran which began almost a year ago has continued through the first months of 1976, with U.S. exports to that market slightly below the dollar figures recorded a year ago. There are clear signs, however, that before the end of this year most economic indicators will have resumed their strong upward trend, although not at the dizzy rates of the past two years. Without question, Iran is still the most attractive market in the Middle East for American goods and services, Michel F. Smith of the Bureau of International Commerce reports.

The gross national product of Iran is dominated by the performance of the petroleum sector. In constant dollar terms, the GNP grew by 34 and 42 percent during the 12-month periods which ended in March 1974 and March 1975, respectively. The comparable growth rate in the 1975-76 period was a mere 6.5 percent, due primarily to a 5 percent drop in oil production in terms of value (11 percent in terms of quantity). Oil revenue, which grew by only 2.2 percent in 1975-76, is expected to increase by 8 percent during the current Iranian calendar year ending in March 1977.

While petroleum continues to determine the magnitude of Iran's economic performance, the country's development is more fairly measured in the non-oil sectors, which experienced an estimated real growth of 16 to 18 percent during 1975-76 and is expected to do at least as well during the current year. Both consumer and investment expenditures held up well last year and should support a good overall level of economic activity this year. Thus, despite continued modest performance by the oil sector, the U.S. Embassy estimates that real growth will reach 11.5 percent in 1976-77. This estimate assumes 5 percent growth for the oil and agricultural sectors and 18 percent each for the industrial and service sectors.

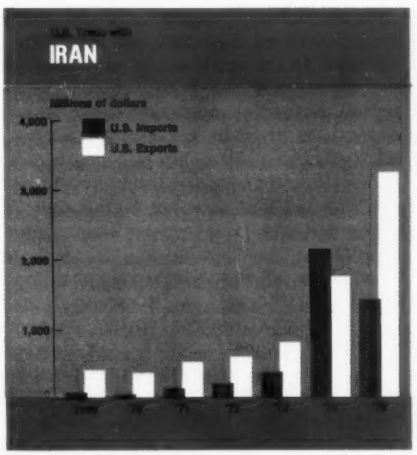
The United States, which became Iran's No. 1 supplier of goods in 1974, retained that position last year. The U.S. share of the civilian market is currently about 20 percent, with West Germany and Japan close behind. U.S. exports to Iran during 1975 totaled more than $3.2 billion, a phenomenal 87 percent larger than the figure for 1974. Signs of the current slowdown, however, became evident in the trade figures for the first 5 months of this year, which showed an actual drop of 6.3 percent compared with the figures of a year ago. Nevertheless, U.S. sales to Iran are expected to top $3 billion again in 1976, despite a massive pileup of goods at Iran's seaports and other border points.

The total size of the market, now about $12 billion a year, will very likely grow to $40 billion by 1980, as the government has every intention of maintaining a rapid pace of development, financed to the extent necessary by deficit budgets and external financing. The current budget, for example, in the face of a sluggish petroleum sector, calls for a 34 percent increase in capital expenditures and official external borrowings of some $2 billion this year alone.

Iran's economic boom, beginning in 1966, has led to a number of problems, such as double-digit inflation, crippling shortages of trained manpower, and an infrastructure inadequate in many key areas. There have been acute shortages of hotel rooms, housing, power and telephone service. The most critical bottlenecks are in transportation. At one time ships were subject to delays of up to 140 days, but that situation has since improved thanks to a reduced level of imports and round-the-clock efforts to clear goods through customs. Rail and highway rolling stock is in extremely short supply, and Iran, with U.S. help, has embarked upon a road program which enjoys the very top priority.

The share participation program, whereby industrial firms of defined size and age must divest themselves of 49 percent of share capital to workers and the public, is operating better than expected. Some investment plans were postponed, but the negative business effect of the program is less than many anticipated.

As a result of Iran's swing back to offshore credits, U.S. firms that can offer some kind of financing will find Iranians more receptive to their proposals. Successful sales will require careful attention to after-sales servicing and close supervision of distributors.



KUWAIT

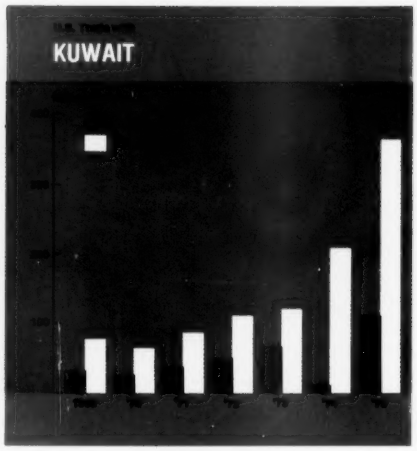
Unabated Economic Growth Enhances U.S. Opportunities

Growth in Kuwait's economy continues unabated, furnishing an excellent opportunity to U.S. firms interested in selling their products and services in an intensely competitive market. According to S. Dickson Tenney of the Bureau of International Commerce, 1976 U.S. exports to Kuwait should exceed $490 million, compared to $208 million in 1974.

Although oil production continues to be below the record levels reached in 1973, Kuwait's projected income from its oil exports and extensive overseas investments is well over $8 billion for 1976. Kuwait has invested a large part of its balance of payments surplus in short term holdings in various London and New York banks. Other funds have been placed in profitable venture projects in Western Europe and the United States and even, when feasible, in underdeveloped countries. A significant amount of the surplus is also committed bilaterally as economic assistance to multilateral agencies, or granted (or loaned at generous terms) to less affluent Arab states and to selected other nations.

Kuwaiti firms have established some small import-substitute, non-petroleum related companies, but Kuwait remains largely dependent on imports for almost all its goods and services. U.S. products are favorably regarded by the Kuwaitis and increased U.S. exports will be needed to meet both the continued strong demand for products in the large development projects and the increased demand by a number of very rich consumers. Demand remains especially strong for building and construction materials, electric and nonelectric machinery, road motor vehicles, chemicals, iron and steel, tobacco, and consumer goods such as clothing, travel goods, and photographic equipment.

Kuwait officials and businessmen have often expressed their interest in working with Americans, at least in part because of their acknowledged management, marketing, and technological expertise. However, as is true in most Arab nations, much business is done on a personal basis; U.S. businessmen interested in developing significant sales or winning a bid on a major project must be prepared to devote a considerable amount of time to meeting officials and developing good contacts in the area. It is essential that a good working relationship be developed with a Kuwaiti agent—an estimated 1,500 U.S. firms are already represented there—because he is often aware of major projects, and prospective tenders for products long before the official announcement. Once the announcement is made, the tender deadline is often short and uninformed U.S. firms are unable to work up a bid before the tender closing date.



The Government of Kuwait plans to significantly expand its petroleum related facilities. Work has begun on the $1 billion Kuwait Gas Utilization project (KGUP) which will include an LPG plant capable of producing 5.5 million tons annually of propane, butane, and natural gas. Other plans include a new export refinery, capacity expansion of working refineries and fertilizer plants, and construction of additional petrochemicals plants for the manufacture of aromatics, ethylene, and polyethylene.

Kuwait continues to express interest in using its petroleum to make products, rather than just as a source of energy, with plastics, fibers, synthetic rubber, detergent, and fiber glass presently under consideration. One possible stumbling block for these projects is that any new plants, as well as the present major power plants, will require large amounts of cheap gas to operate efficiently. There is some concern whether sufficient amounts of gas can be separated from the reduced amount of oil now being pumped since the recently discovered non-associated gas will not be available for some time.

The major port facilities at Shuwaikh and Shuaibi and the Kuwait International airport are to be expanded to overcome congestion. Major highway projects are under study, including a 30-mile rapid transit line between Kuwait and the major industrial area of the country. Most of these projects will be tendered to Kuwait firms which sometimes subcontract out part of the construction work to foreign firms and put out private tenders for products. The Kuwait Government will also spend $4 billion to build new public housing for low- and medium-income Kuwaitis, and must expand power and water desalting facilities.

SAUDI ARABIA

New Ventures Invite U.S. Trade

Saudi Arabia's $142 billion economic development plan is creating tremendous opportunities for American business, says Jack Orlando of the Bureau of International Commerce. The prospects for U.S. consultants, architects and construction management firms gaining a larger share of multi-million dollar turnkey contracts have been improved by the Saudi Government decision to reduce performance bond requirements from 10 to 5 percent and bid bond requirements from 2 to 1 percent. A major avenue of product sales derives from the booming market for consumer goods resulting from the growth of personal income levels in Saudi Arabia. (See "Saudi Rush to Develop Points Up Needs in Other Areas," *Commerce America*, June 21, 1976.)

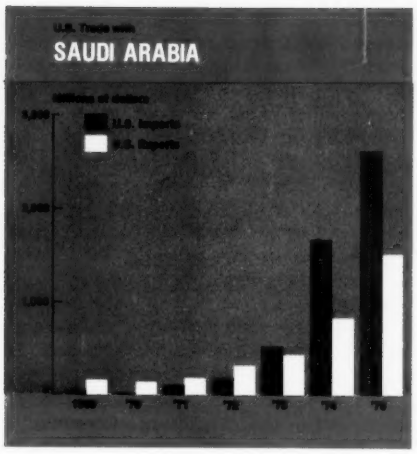
Although world competition for the Saudi market is now intense, U.S. exports are expected to leap from $1.5 billion in 1975 to $2.8 billion this year, constituting some 20-25 percent of the country's total imports.

The Saudi Five-Year Development Plan (1975-80), available in English for $16.25, is a guideline to many large and varied business opportunities. Full implementation of the Plan is being hampered by several critical constraints: port and airport congestion, skilled and unskilled labor shortages, and the lack of adequate housing for the thousands of expatriate management personnel and tens of thousands of imported laborers necessary to execute contracts.

Fortunately, the recent establishment of U.S.-Saudi roll-on, roll-off services should enable U.S. cargoes to move more quickly into the Saudi market, thereby improving the U.S. competitive status.

Two key areas for business leads are the planned multi-billion dollar projects at Jubail and Yenbo. These sites are to be developed into comprehensive industrial zones including new cities, ports, petrochemical plants and other manufacturing installations. The South Korean firm Hyundai Construction was recently awarded a $955.7 million contract to build the second stage of Jubail Port. Foreign procurement will include explosives, steel structures, paint, oil, dredging pipe, generators and cranes. Another massive multi-billion dollar project is the gas gathering complex entrusted to the Fluor Corporation.

There are more than 140 other identifiable major projects under way in Saudi Arabia, involving total expenditures of about $14 billion, which have been awarded to foreign firms. As these proj-



ects are dispersed throughout the economy, U.S. exporters can find large sales opportunities by contacting prime contractors or subcontractors.

The U.S. Army Corps of Engineers is extensively involved in Saudi Arabia as a consultant and supervisor on more than 20 large Saudi military projects estimated to cost a total of $16.9 billion. U.S. firms wishing to obtain information and advice on how to compete for this business will have easier access to the Corps, which has now moved its headquarters from Livorno, Italy, to Berryville, Virginia.

Commercial opportunities are not limited to government programs. Long established Saudi industrialists and newly emerging entrepreneurs are purchasing machinery and equipment for the establishment or expansion of local industries.

The Saudi housing and road construction industry is growing rapidly as is the private road transport industry. This is leading to expanded requirements for all types of building materials and equipment, excavation machinery, road construction and maintenance machinery, automobiles, buses and heavy duty trucks. Saudi business expansion is creating more demand for office machinery and equipment and for data retrieval systems.

There is growing interest among Saudi entrepreneurs in obtaining U.S. industry know-how, management participation and product manufacturing rights for new industrial, agricultural and service ventures. They will consider equity, licensing or franchising arrangements.

Some of the most active current fields of interest are: hotels, food canning or freezing, trucking and heavy equipment leasing, water-well drilling, fast food and institutional feeding outlets, prefabricated and other housing systems, and building and construction materials. An increasing number of Saudi businessmen are now visiting the United States to arrange for collaboration in such enterprises.

UNITED ARAB EMIRATES

U.S. Export Growth Seen, Though At Slower Rate

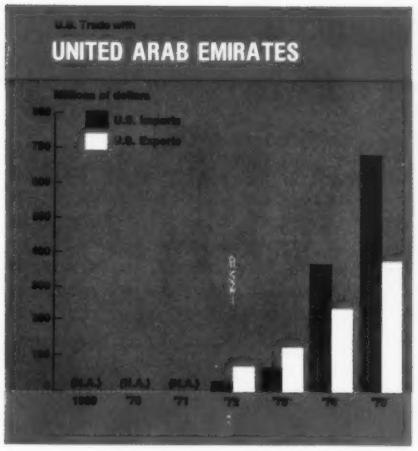
The strong trend in U.S. exports to the United Arab Emirates should continue, although at a lower rate of growth than in past years, according to S. Dickson Tenney of the Bureau of International Commerce. U.S. exports to the UAE in 1976 are expected to exceed $480 million, in comparison to $372 million in 1975 and only $230 million in 1974.

The UAE imports almost everything it needs. The market for U.S. products remains particularly strong for electric and nonelectric machinery, transportation equipment and construction materials. Cooling equipment remains much in demand as do tobacco products and automobiles. Although Japan, and to some extent the United Kingdom, continue to hold a strong position in the consumer goods market, demand has increased for U.S. products used in leisure type activities, most notably for boating and camping equipment and photographic equipment.

Prospects remain good for U.S. firms in the areas of architecture and engineering, primarily for firms with the willingness to spend considerable time and expense in one or more of the Emirates developing contacts with local officials. Some firms have signed contracts in Dubai and Sharjah, and others are investigating the two Emirates for possible use as a regional business center, but most firms are still located in Abu Dhabi. U.S. business firms will continue to be able to participate in UAE development because of our recognized technological strengths and because Americans are generally popular in the country.

Each Emirate has its own national budget but several of the individual Emirates are financially stronger than the UAE federation. Abu Dhabi, the richest and the one most interested in as well as financially committed to the federation, expects its 1976 oil earnings to exceed $4.6 billion. A large sum is allotted to support a major portion of the UAE budget, and through it, the poorer Emirates. Dubai, which expects to earn $1.2 billion from its 1976 oil exports, and Sharjah are the only other Emirates with sufficient petroleum exports to finance any large internal expenditures.

All of the Emirates are aware of the need to develop their infrastructure but there is a lack of integrated planning and often a duplication of efforts as each allocates part of its budget to development expenditures. A unifying factor which has become increasingly important in the last year is the UAE Development Bank which sponsors private, industrial,



and commercial enterprises, many in the poorer Emirates. By offering long term, low interest loans and consulting assistance to entrepreneurs, as well as undertaking feasibility studies if necessary, it serves as a central development office for those Emirates which are financially unable to undertake such activities.

Both Abu Dhabi and Dubai plan to develop industrial zones outside their principal cities. Jubal Dhana will be located approximately 100 miles west of the city of Abu Dhabi; Jebel Ali will be 17 miles east of Dubai. Although both projects provide excellent opportunities for U.S. firms, the possibilities will be stronger in Abu Dhabi where there is usually open bidding for projects. In contrast, Dubai usually awards desired projects to firms established in the area.

Both Emirates plan to build LPG/LNG plants, and Dubai tentatively plans to construct a refinery, a steel plant, aluminum smelter, fertilizer plant, and a factory for manufacturing cable. Some of these plants will be heavily dependent upon large amounts of relatively scarce gas, and will need a large labor force unavailable locally. The planning in Abu Dhabi is not as far advanced but proposals include a steel plant, aluminum smelter, a fertilizer plant and polyethylene plant. Infrastructure construction will include housing, in the area of both towns. U.S. consultants, planners and architects specializing in town planning and transportation should be in demand.

Other upcoming projects include expansion of the power generation distribution and desalination facilities in both Abu Dhabi and Dubai, construction of a large civilian international airport in Abu Dhabi and a smaller one in Fujairah, a military airport with three satellite fields in Abu Dhabi, and a sewage treatment system in Abu Dhabi. Portions of each project, including contracts for supplies, may already have been tendered but the construction and/or turnkey plant tenders are not yet ready.

MOROCCO

Expansion Continues; U.S. Exports Climbing

The outlook for U.S. sales to Morocco this year is bright, as an expanding number of American firms show interest in the increasing variety and value of business opportunities offered by Morocco's steadily growing market, according to Claude Clement of the Bureau of International Commerce.

Morocco's continued economic expansion in 1976 is assured on the basis of several key factors. After two near-disastrous crop years necessitating massive grain imports and seriously impacting Morocco's balance of payments, the outlook this year is for a good harvest. Morocco's ability to borrow substantial sums externally to keep its development efforts on track has been demonstrated by a recently-signed $300 million Eurodollar loan agreement, World Bank credits this year totaling $134.5 million, and $210 million in assistance from France. There is also a return of activity in the Moroccan private sector, which is showing signs of increased confidence and renewed investment interest.

Total imports increased 38 percent in 1975 to $2.7 billion, and are projected to top $3.2 billion this year. The United States will retain its position as Morocco's second leading supplier as U.S. exports rise 25 percent to $225 million this year.

Moroccan gross national product, estimated at $6.9 billion in 1975, is expected to grow 13 percent this year to $7.8 billion. Government investment expenditures in 1976 are budgeted at $2.5 billion, insuring continued economic growth and industrial expansion.

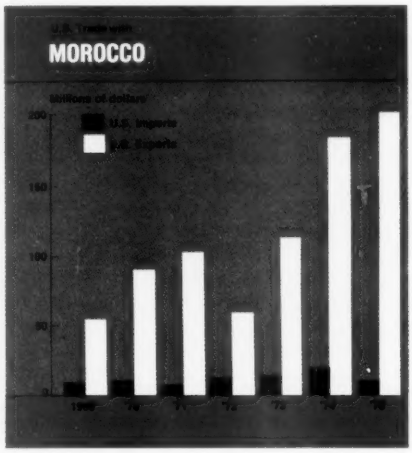
Morocco is now moving ahead with a number of major projects which offer significant sales opportunities. These include equipment for and construction of a major new phosphoric port at Jorf Lasfar, construction of several new sugar and beet mills, a $200 million expansion program for the ports of Casablanca and Mohammedia, erection of numerous educational institutes, and construction of badly-needed cement plants.

A number of modest new American investments in Morocco are in the process of being accomplished and others are in prospect. These include an automobile battery plant, a cast steel plant, a mattress factory and a pharmaceutics plant.

U.S. firms are involved in major new public works to an unprecedented degree.

The Oil Shale Corporation (TOSCO), under a consultancy contract for the development of Moroccan oil shale reserves, is currently processing samples of the shale in its Colorado test plant. Several U.S. consulting firms have been invited to submit proposals for the industrial sector of the 1978-82 development plan, now in the pre-preparation stage.

Morocco has signed a renewal of its Association Agreement with the European Community. The treaty, the result of several years of negotiations, provides for duty-free entry of many manufactured goods, preferential customs treatment for a long list of products, access to the European Development Fund, and improved social security status for Moroccan workers in the EEC.



TUNISIA

Economy Brightens; Investment Welcomed

Tunisia's economy seems brighter in mid-1976, compared to 1975, thanks to a stronger market for Tunisian exports and continued heavy government spending to round out the final year of the 1973-76 Development Plan.

Laron Jensen of the Bureau of International Commerce sees the U.S. sales picture as mixed: U.S. exports to Tunisia of chemicals and manufactured goods are up some 20 percent this year, largely because of a good market for pumps, tractors and construction/mining machinery. However, total U.S. exports to Tunisia during the first four months of 1976 ($18.5 million) are only half that of the same period last year. The explanation for this drop lies in slow sales of U.S. wheat and soybean oil, due to a good domestic cereals harvest and to Tunisian marketing difficulties for olive oil which caused the government to ban imports of competing vegetable oils.

Total Tunisian imports in 1976 will reach about $1.4 billion in value, up about 8 percent over 1975. Exports may rise slightly above last year's level, or some $800 million. The resulting deficit will be covered by tourist revenue, remittances from Tunisians abroad, and foreign private investment and loans, increasingly from wealthy Arab states.

Tunisian gross domestic product of about $4.4 billion in 1975 is expected to increase 11 percent this year in real terms. Inflation in terms of the average middle class market basket is estimated at about 10 percent annually.

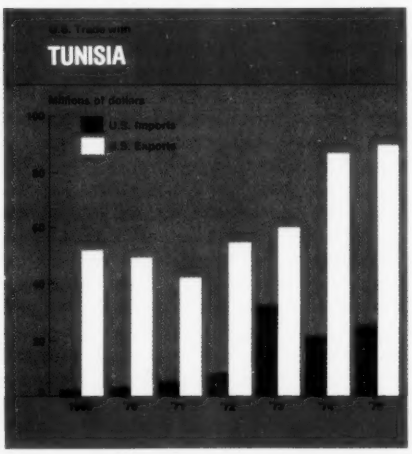
Tunisian economic planners are well into drafts, as yet unpublished, of the next five-year plan (1977-81), whose public and private investments will exceed $6 billion, double the current plan.

Tunisia signed a new association agreement with the European Community last Spring, providing a shot in the arm to Tunisian hopes for exports of traditional products such as olive oil as well as non-traditional manufactures produced locally by a growing number of Tunisian and foreign private direct investors taking advantage of a liberal investment climate. Textiles, shoes and light mechanical/electrical products lead the list.

Several new laws or administrative regulations have been issued in recent months which clarify existing policies on foreign exchange and importing/exporting, and which require that deadlines on international calls for bids be more "reasonable," i.e., more than the current average of a month.

Other laws under consideration would encourage establishment of regional offices of foreign firms as well as certain foreign banking operations in Tunisia, and would simplify and unify the plethora of import paperwork which currently disadvantages U.S. marketers.

The U.S.-Tunisia Joint Commission, established last year, has held several meetings to discuss the above subjects, among other things. American firms trading with Tunisia are invited to write the U.S. Department of Commerce, BIC/CAGNE, Washington, D.C. 20230 with suggestions which could be usefully raised through the Joint Commission.



IRAQ

Modest Increase Seen In Trade With U.S.

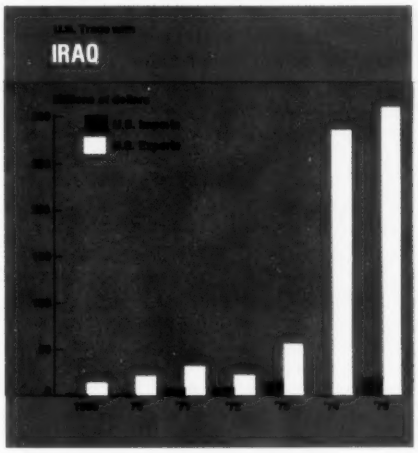
U.S. direct exports to Iraq this year are proceeding at the same rate as in 1975, when they totaled $310 million and accounted for some 6 to 7 percent of the country's $5 billion import market. There are good prospects, however, for the attainment of $350 million in exports to Iraq for the entire year, according to George Beck of the Bureau of International Commerce.

American firms are competing well in new export fields, a current example being the first sale of some $40 million in frozen chicken. The recent success of the Lummus Corporation of New Jersey, together with a West German firm, in winning the design and construction project for Iraq's $1.1 billion petrochemical complex illustrates the rewarding opportunities available to companies which actively pursue contracting leads in the dynamic Iraqi market.

Despite much evidence that Iraq must draw increasingly on U.S. technology, realization of trade potential is hampered by the problem of establishing effective commercial contacts. A number of U.S. suppliers now serving Iraq through intermediaries may have difficulty in complying with the February 1976 law requiring the registration of their agency contracts and the provision of financial guarantees for their agent's activities in Iraq. U.S. companies seeking to penetrate the Iraqi market will have to increase their direct contacts with Iraq Government contracting and purchasing agencies by more correspondence and by more frequent visits of U.S. headquarter or regional personnel.

Major new market opportunities in Iraq will become more apparent with the imminent publication of the long-delayed Five-Year Economic Development Plan (1976-80) which reportedly calls for development expenditures of $33 billion. Advance reports indicate that large expenditures are scheduled for irrigation, flood control and electrical power generation; livestock production (cattle and poultry); rural and urban electrification; desert reclamation; grain storage; petrochemicals; heavy industry (iron, steel, and aluminum); and other industries (food, cement, construction materials, fertilizers, pharmaceuticals, auto and truck assembly and agricultural machinery production). There will also be enormous projects in transportation, housing, health and social welfare, and education.

Although France, Italy, Spain, Yugoslavia, Japan, Poland and Romania were favored with most of the $3.5 billion in major contracts awarded by Iraq in 1975, many U.S. companies are obtaining a share of this business as subcontractors or equipment suppliers, often through their subsidiaries or affiliates. American firms interested in exploring this other avenue of trade with Iraq should note that Yugoslavia has now received contracts well exceeding $1 billion, including responsibility for the first phase ($325 million) of the $2 billion agro-industrial complex at Dudjeila, for a $180 million dam, and for construction of six hotels in Iraq. Yugoslav companies operating in Iraq have expressed interest in being contacted by American suppliers.



LIBYAN ARAB REPUBLIC

Opportunities For U.S. Firms That Try Harder

The Libyan market for imported capital equipment and foodstuffs is strong and represents important potential for U.S. firms which do the requisite homework on market conditions, according to Laron Jensen of the Bureau of International Commerce.

The Libyan Arab Republic (LAR) has entered the first year of its 1976-80 Development Plan, which projects total government spending of $24 billion over the five-year period. The 1976 development budget of $4.4 billion stresses agriculture (particularly irrigation and other water works), mining and manufacturing, housing, education and municipal improvements.

Crude petroleum contributes the bulk of export earnings, which were estimated at $6.5 billion in 1975. Oil production is increasing from a 1975 low of about 1.4 million barrels per day (b/d) to nearly 2 million b/d in early 1976. Oil earnings vastly exceed importing needs and capacities, thus ensuring a strong liquidity position (foreign exchange reserves totaled $2.3 billion in March 1976).

Libyan imports, which are purchased primarily by government agencies but also by the Libyan private sector, increased some 25 percent in 1975 to about $3.5 billion in value. Capital goods and transport equipment make up about 60 percent of total imports.

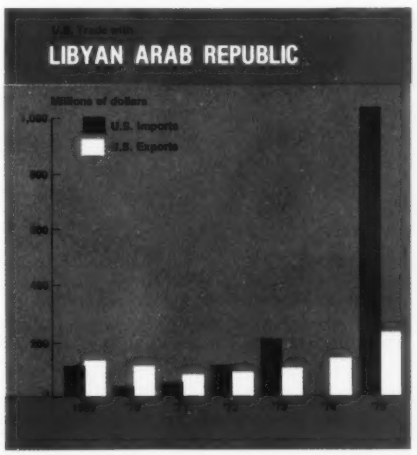
Italy, West Germany, France, Japan and the United Kingdom have been the country's most important trading partners in recent years. U.S. exports to LAR vary considerably, increasing 70 percent in 1975 to $232 million and decreasing 46 percent in the first four months of 1976 compared to the same period a year earlier. The primary reason for the recent decline in U.S. exports is simply the lack of airplane deliveries and reduced U.S. iron and steel products exports so far this year. Other U.S. export commodities are maintaining or improving upon their 1975 levels.

United States imports may exceed $2 billion in 1976. The growing U.S. trade deficit offers incentives to U.S. firms to try harder in a market which is essentially familiar with and receptive to superior technology offered by U.S. firms.

Best U.S. sales prospects have been identified by the American Embassy, Tripoli, as follows: motor vehicles, building materials, power generating machinery and equipment and services for agriculture, transport, communications, health care, education and laboratories.

The Libyan Arab Republic represents a very good market for enterprising U.S. manufacturers, consultants and contractors who are willing to negotiate firmly for potentially lucrative contracts. American businessmen are welcomed on the same terms as other foreigners who propose business relationships.

Although international calls for bids on Libyan projects are common (large tenders are announced through Commerce's TOP program), it pays to write directly to Libyan Government agencies, enclosing literature and data about experience.



FAR EAST-SOUTH ASIA AREA: OUTLOOK BRIGHTENS MARKEDLY

Exports To Industrial Nations On Uptrend

Most of the economies of the Far East and South Asia, whether developed or developing, depend heavily on their exports to the United States and to other leading industrial nations. Now that these exports are again displaying a rising trend, economic prospects throughout the area are improving markedly, according to J. Robert Wilson of the Bureau of International Commerce.

After three years of substantial gains, U.S. exports to the area stagnated in 1975, mainly because of declines in U.S. exports to recession-ridden Japan and Australia. With the Japanese economy on the road to recovery, Japan's need for additional imports, together with improved economic conditions throughout the area, signals a resumption of U.S. export gains generally.

Except for Indonesia, a major oil producer, all the countries in the area have to cope with the high cost of imported petroleum. This places a severe strain on their balance of payments and, in some cases, acts as a constraint on their ability to pay for other imports. The problem, however, appears to be manageable, even for the less developed countries.

Japan, which is surpassed as a market for U.S. exports only by Canada, purchased $9.6 billion worth of American goods in 1975. Recovery from Japan's longest, most severe postwar recession got under way early in 1975, then appeared to falter, but is now proceeding apace. Japanese exports, especially of cars and television sets, have risen impressively, leading to gains in industrial production. With profits on the rise, some recovery in investment is expected. Overall the GNP may grow by about 6 percent in real terms in 1976.

The rate of inflation, as measured by consumer prices, has eased to just under 10 percent per year. This is a striking improvement over the rate of 24 percent that prevailed in 1974. Continued success in holding the line on inflation will serve to boost real wages, which in turn should be reflected in an increase in consumer spending.

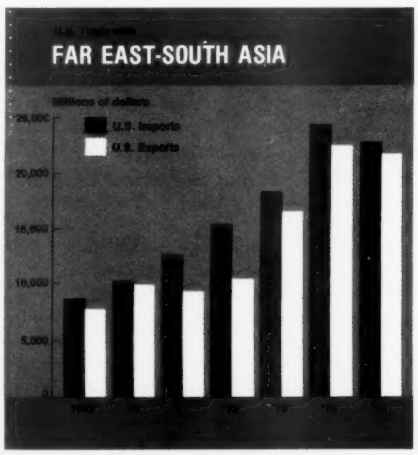
The prosperity of many of the Asian countries is closely related to the health of the Japanese economy. Four of them—Australia, Korea, the Philippines and Indonesia—direct over 30 percent of their exports to Japan. For both Australia and Indonesia the Japanese market is more important than that of the United States; in the case of Korea and the Philippines the American and Japanese markets are roughly of equal importance. Japan also provides a significant amount of loans and grants to the developing countries of Asia.

In 1975, **Australia** remained the second largest U.S. market in the Far East despite the deep recession which pulled imports from the United States down 15 percent to $1.8 billion. Some improvement is expected in 1976, but its rate depends on the strength of the present recovery of the Australian economy. Though there is still economic uncertainty, a recent Australian survey of industrial trends showed, since December, a doubling in the number of respondents expecting improved business conditions. Much will hinge on policies of the Liberal/National Country Party coalition, in office since December.

The new government inherited a high federal deficit, serious unemployment, and a record balance of payments deficit. However, such measures as a new 40 percent investment allowance are expected to stimulate expenditures for plant and equipment.

Inflation has been reduced from 17 percent to 13 percent, but this rate is generally regarded as unacceptably high for a country so well endowed with food and raw materials, including oil, as Australia. The present government is giving high priority to combating inflation, both by reducing budgetary deficits and by restraints on union wage increases.

New Zealand also has a new government that is coping with a number of economic problems. In order to reduce the large current account deficit in its balance of payments, the government is continuing an import deposit scheme designed to dampen speculative imports. New Zealand's economic well-being depends heavily on its agricultural exports and prospects for their expansion are dim in the short term.



Economic conditions are buoyant in **Korea** and the **Republic of China** (Taiwan), both of which have developed an impressive capability to export a wide variety of manufactured goods. The Korean economy is expected to grow by at least 8 percent this year. Export growth will reduce its trade deficit and the rate of inflation should be halved to about 13 percent. In 1975 Korea imported $1.8 billion of goods from the United States, a market share of 26 percent. Among the many promising areas for increased U.S. sales are machinery and equipment, avionics and communication equipment.

Taiwan's exports to its main trading partners, the United States and Japan, have been expanding rapidly this year, resulting in a moderately favorable balance of trade. Export growth is expected to generate an increase in real GNP in 1976 of over 6 percent and inflation will be minimal. The textile and electronic industries are spearheading the advance. Demand for U.S. industrial equipment and raw materials is expected to strengthen in the coming months. The U.S. Trade Center, which was opened in Taipei in 1974, is actively assisting American exporters in marketing their products.

Economic prospects in **Hong Kong** and **Singapore** are also promising. Hong Kong's gross domestic product is expected to increase 10 percent in 1976. The island, with its political stability, duty-free status and negligible inflation, offers a hospitable climate for a large number of American firms. U.S. export opportunities abound for a variety of American exports. Singapore enjoys a strong balance of payments position and the economic outlook is excellent, despite a slump in the shipbuilding and oil refining industries.

The U.S. Regional Trade Center in Singapore, with newly enlarged facilities, serves both the island's growing market and neighboring countries.

Malaysia's trade outlook is improving as demand for its exports of rubber, tin and timber strengthens. There is a ready market for a variety of American goods, including laboratory instruments, timber processing equipment, business machines and process control instruments.

U.S. exports to the **Philippines** increased 11 percent in 1975 and, although the problem of a sizable balance of payments will not be completely solved this year, opportunities for further increases, particularly in the capital goods area, are present. The 1975 GNP growth rate of 6 percent is likely to be repeated. In order to carry out its extensive development plans, the government will endeav-

or to attract additional foreign investment.

Thailand is adjusting to the new situation following the withdrawal of the large American military contingent. Although the economy grew by 6.4 percent last year, it experienced its first balance of payments deficit since 1971 as a result of decreased exports of rice, tin and rubber. Opportunities are promising for U.S. firms that supply equipment for agribusiness, construction, mining, food processing, and power generation and transmission.

In 1975, U.S. exports to **Indonesia** increased 53 percent and further expansion this year is expected to raise them to over $1 billion. Despite this high level, the United States will continue to have a large deficit in its trade with Indonesia resulting from petroleum shipments, which account for 86 percent of U.S. imports. Indonesia is recovering from the financial crisis arising out of the failure of Pertamina, the state oil company, to secure adequate foreign credits. Indonesia receives extensive foreign aid from a variety of governments and international organizations. Machinery and equipment and agricultural commodities account for over half of U.S. exports to Indonesia.

Bountiful harvests have led to a remarkable improvement in the prospects for the economy of **India.** Industrial production is rising, inflation is minimal and the balance of payments has improved. U.S. exports rose 70 percent in 1975 to $1.3 billion and further increases are predicted. The diminished need to import foodgrains and fertilizer implies that additional foreign exchange will be allocated to imports of industrial machinery and equipment.

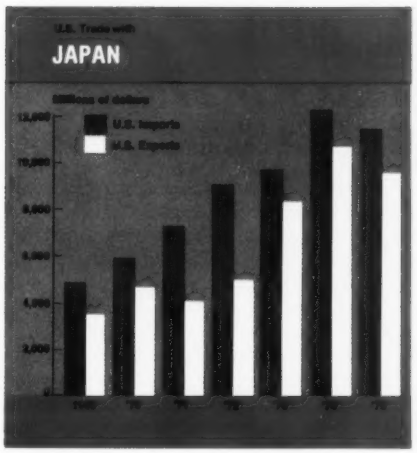
Pakistan continues to suffer from serious balance of payments deficits, which are aggravated by the multiple increases in the price of oil. With 30 percent of Pakistan's export earnings earmarked for external debt service, prospects for an expansion of imports are closely related to the amount and terms of the foreign aid that Pakistan receives from various countries and international lending institutions.

A complete embargo is in effect on transactions with **Cambodia** and **South Vietnam,** the latter now incorporated in the Socialist Republic of Vietnam. Inquiries as to licensing procedures should be referred to Foreign Assets Control of the U.S. Treasury Department. **Laos** is classified as a "Y" country for export administration purposes—there are limits on the kind of U.S. goods that may be sent there.

Papua New Guinea, which achieved its independence on Sept. 16, is expected to be a good customer of the United States and hospitable to investment by American firms.

JAPAN

Economy In Transition, Points Toward Recovery



Japan apparently has pulled out of its longest and most stubborn recession and already has overcome most problems associated with the supply and cost of oil, inflation, balance of trade, and balance of payments deficits, according to Arthur Miyakawa of the Bureau of International Commerce. Additionally, cautious optimists such as the Bank of Tokyo state that "the economy is getting out of the temporary lull in its recovery and strengthening the trend toward real recovery." There are contrary views; but the economy is in transition and definitely pointing toward recovery.

Japan's real gross national product increased more than 3 percent in fiscal 1975 which ended March 1976, to $310 billion ($500 billion nominal), exceeding the government's forecast of 2 percent. Japan's January-March real GNP, 3.5 percent above the October-December quarter, was based on the exceptionally strong performance of nearly all domestic sectors but particularly on increases in personal consumption and housing investments that were weak in the past.

Trend toward pre-depression philosophy

Under these somewhat spotty yet brightening economic conditions, most Japanese businessmen are beginning to return gradually to the pre-depression philosophy of looking ahead one year, rather than one quarter. They are now cautiously optimistic, yet unable to eliminate the fear or threat of another economic collapse or renewed inflation.

As a consequence of last year's unsettled economic conditions, Japan's imports from the United States were down by more than 8 percent compared with 1974. For the first five months of this year, Japan's imports total $4.7 billion with $5.1 billion for the same period last year but with the expected continued Japanese recovery, imports from the United States should expand somewhat over the remaining months of this year.

Japan's chief imports from the United States remain concentrated in the agricultural, forestry, chemical, industrial raw materials and machinery sectors and include coal, nonelectric machinery, corn, logs and lumber, and several chemical products.

Japan's exports to the United States in 1975 totaled $11.2 billion, down a significant amount from 1974. For the first five months of this year, Japan sent to the United States $6 billion or 39 percent more than for the same period last year. Furthermore, the rate of exports appears to be increasing and because Japan's imports of U.S. products have not kept pace, the bilateral trade deficit for the first five months of this year is already nearly $2 billion, compared with $771 million for the same period of 1974.

The U.S. share of Japan's import market has experienced a steady deterioration, especially when Japan's imports of crude petroleum are included. Over the past 10 years, the U.S. ratio has fallen from 28 percent in 1966 to 20 percent last year. Japan's share of exports to the United States also shows a similar trend falling from 30 percent in 1966 to 21 percent in 1975. Looking ahead 5 to 10 years, however, Japan's imports of machinery and high technology equipment are expected to account for a larger share of its total imports.

Because of the relatively large boost of nearly 12 percent in Japan's exports to the world for the first five months of this year compared with the same period last year, the Embassy estimates that for the full year, Japan's favorable balance of trade could approximate $11.8 billion compared with $5.1 billion for the previous year. According to the same forecast, its current account balance of payments is expected to be favorable.

As promised earlier, Japan removed its inward investment restrictions for the manufacture of fruit juices and photographic film. It now controls the inward foreign direct investment in the four categories of agriculture, forestry, and fisheries; oil refining and distribution; leather and leather products; and mining.

Japanese industry continues to stress greater automation; that is, time and labor saving equipment to increase productivity and lower labor input. In the industrial sector, therefore, such product categories as computers, components, peripherals, testing and measuring equipment, food processing and packaging equipment in addition to pollution control equipment and consumer goods are desired and have the best sales prospects.

AUSTRALIA

Although Recovery Lags, Business Is Optimistic

Although Australia's economic recovery has lagged, a recent Australian survey of industrial trends reveals that the proportion of respondents expecting an improved business climate is more than double that recorded for the previous survey taken in December. Optimism is expressed for increased capital expenditure this year, especially for investment in plant and machinery. U.S. exports have held up reasonably well, and the long-term prospects are moderately good for expanding markets, reports Nancy H. Keely of the Bureau of International Commerce.

After its election victory over the Labour Party in December, the Liberal/National Country Party Coalition Government took various measures designed to stimulate the economy, which had turned down in mid-1974.

These measures include a new system of family allowances and tax indexation, which should increase the buying power of lower wage earners. The government's emphasis on stimulation of investment through such measures as easing the raising of expansion and investment loans, and introduction of a 40 percent investment allowance for industry on new plant and equipment, should also provide attractive opportunities for U.S. exports of capital equipment.

Finally, early indications that the present government might adopt a significantly more protective trade policy than its predecessor have not materialized, and a decline in the number of requests for protection has been noted.

In order to restrain inflation, the government has announced that it will sharply reduce public sector expenditures and will rely instead on an investment-led recovery to ameliorate unemployment. The Prime Minister has declared that restoring strong and stable growth to the private sector will solve the country's main economic problems. The gross domestic product, in current prices, amounted to A$63.7 billion for CY 1975, a gain of 0.8 percent in constant prices as compared with the preceding year.

Although Australia's balance of payments (net monetary movements) registered a deficit of US$907 million for CY '75, the balance of trade surplus was US$2 billion, up dramatically from US$75 million for the preceding year. Reserves of gold and foreign exchange totaled US$3.3 billion at the end of CY '75.

The Australian Ambassador to the United States, N. F. Parkinson, stated recently that his government wishes an increased role for foreign investment. New foreign investment guidelines were issued in April by the government. Although long-term goals of the guidelines continue to be maximum Australian ownership and control of the economy, it is expected that there will be greater flexibility in implementing the guidelines than in the 1973-75 period.

The new guidelines permit a maximum of 25 percent foreign ownership in new uranium mining projects (up to yellowcake stage), as compared with the previous Labour Government's standard of total Australian ownership. A 50 percent Australian equity share applies to new foreign investments exceeding A$1 million (about US$1.3 million) in other key areas (production and development of oil, natural gas, and other minerals; agricultural and pastoral projects; and fishing and forestry ventures).

U.S. direct investment in place in Australia in 1974 totaled US$4.7 billion, contributing a return of about US$400 million in that year.

The United States is Australia's leading supplier, having about a 21 percent share of that country's imports. U.S. exports amounted to about US$2 billion for FY '75.

Products that offer exceptionally good prospects for U.S. exports include: printing and graphic arts equipment, agricultural equipment, metalworking and finishing machinery, biomedical equipment, and industrial and scientific instruments. Other good prospects include: computers and peripheral equipment, communications equipment, business machines, materials handling equipment, electronic components, pollution control equipment, food processing and packaging equipment.

The U.S. Trade Center in Sydney is mounting the following exhibitions: machine tools, Oct. 12-15; computers and peripherals, Nov. 8-12; educational training aids, March 28-April 1; outdoor recreation, May 9-13; security and safety equipment, July 11-15.

INDIA

Turnabout In Economy Generates Optimism

India has survived its most difficult crisis since independence and a remarkable turnabout has occurred in the Indian economy during the past year. Record crop yields, along with firm but pragmatic government-imposed policies have generated broad-based optimism for a resurgence of economic growth during the remainder of 1976 and into 1977, according to Monroe E. Aderhold of the Bureau of International Commerce.

The improved economic situation has provided the government with the confidence and flexibility required to encourage new capital investments and focus on improving its balance of payments position. Under current government policies, there is a national consciousness of discipline, hard work, efficiency and sense of direction.

Power, transport and material bottlenecks have been virtually eliminated and are unlikely to occur in the immediate future. Industrial production increased 4.5 percent in 1976 and improvement in the balance of payments position has permitted the government to allocate foreign exchange for increased levels of imported raw materials, equipment and spare parts.

India is one of the major trading partners in Asia for the United States, with two-way trade reaching a record of $1.9 billion in 1975. U.S. exports to India totaled $1.29 billion during this period. Foodgrains represented about 60 percent, with chemicals, machinery, transportation equipment, instrumentation and spare parts and operating supplies comprising the balance. Only $200 million in foodgrains were shipped to India last year under concessional PL 480 terms; the balance was on commercial terms.

India's total import requirements are expected to reach $6.5 to $7 billion during 1976 and 1977 and the United States can reasonably expect to obtain 20 to 25 percent of the market. A trade deficit of about $1.6 billion is anticipated in 1976, which will be offset by disbursements from the World Bank and countries committed to assisting India with its economic and social development.

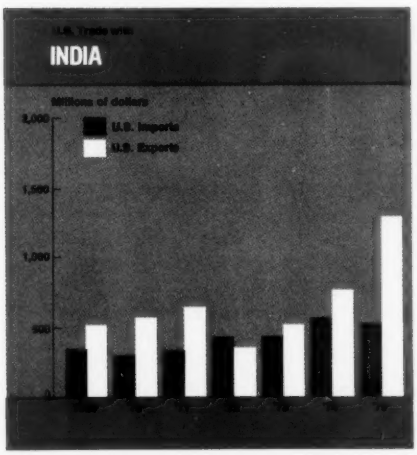
The current national budget reflects pragmatic policy changes aimed at improving conditions to stimulate capital investments and for overall economic growth. A relaxation of industrial licensing policies permits the businessman in the private sector greater flexibility in determining production levels and pricing policies. The authorities also have liberalized controls and provided incen-

tives for expansion of export industries.

Overall, there is a definite upward trend in the industrial sector. Production of capital and basic intermediate goods—such as coal, petroleum, steel, aluminum, fertilizer and cement—has increased substantially. However, tight credit policies have imposed demand restraints on industries which produce textiles, consumer durables, housing and luxury items. Of particular importance has been the recent discovery of a huge offshore oilfield in the Arabian Sea which was brought into production in record time and will yield an estimated 2 million metric tons by the end of the year, increasing to about 10 million tons by 1980. Priority development of an iron ore deposit will involve about $650 million in engineering services, mining and ore processing equipment.

Indian foreign trade policies are designed to restrict importation of luxury items and products considered nonessential for national priorities and economic goals. Import licenses are generally denied for products manufactured locally in sufficient quantity to meet domestic demand. However, authorities are pragmatic and flexible. Import licenses and foreign exchange are readily available for equipment, technology and raw materials for priority industries and manufacturers of products which are exported. U.S. suppliers to industries related to mining activities, petroleum exploration and production, power generation, scientific research, industrial processing, communications, transportation and medical services will find good markets in India.

The policy of the government toward foreign investments, royalties and licensing remains selective but flexible. There are attractive opportunities for U.S. firms which are recognized leaders in their fields and can offer products, services and equipment designs to fill technological gaps in India. Also, authorities are eager to receive proposals for industrial ventures which are export oriented or involve projects in third countries.



TAIWAN

Economy Trends Upward, '76 Trade Surges Ahead

Despite the fact that 1975 saw two-way trade in the Republic of China (Taiwan) fall 10.7 percent below the 1974 total, the trend for the economy during the year was generally upward, Peter Wilson of the Bureau of International Commerce reports. As the world economy improves and business activity picks up in the United States, Taiwan's chief market, prospects are good that the rising trend will continue.

The Republic of China's total trade in 1975 was $11.25 billion, a drop of $1.35 billion from 1974. With imports of $5.93 billion (c.i.f.) and exports of $5.32 billion (f.o.b.), Taiwan experienced a trade deficit of $610 million, an improvement over the $1.3 billion deficit recorded in 1974. Foreign trade surged ahead in April after a pause in March of this year. Exports totaled $2.38 billion on a customs basis for the January through April period—an increase of 53 percent over the same period in 1975. At the same time, imports increased by 25 percent to $2.30 billion, resulting in an $83 million favorable trade balance. Foreign exchange reserves increased by $83 million in April to a healthy level of $1.97 billion.

Efforts to diversify foreign markets seem to be bearing fruit, as sales to secondary markets increased both in absolute and percentage terms during the past year. Nevertheless, the United States remained Taiwan's largest foreign customer with imports of $1.9 billion in 1975, a decrease of 0.8 percent from 1974. Japanese purchases totaled $700 million. Together, the United States and Japan make up 47 percent of Taiwan's total export sales.

Japan continues to hold the largest single share of Taiwan's import market, with sales in 1975 of $1,801 million and a market share of 30.4 percent. Purchases from the United States for the year were $1.649 million, 27.8 percent of total imports. At the same time, the U.S. share of the market improved by 3.7 percent.

Because the Republic of China has few natural resources, the composition of its imports tends to reflect its exports, with the industrial equipment and supplies required for export industries making up a significant share. Major categories of imports last year included machinery and tools, $1,056 million; crude oil, $620 million; chemicals, $611 million; electric and electronic supplies, $535 million; basic metals, $510 million; transportation equipment, $443 million; and raw cotton and synthetic fiber, some $221 million.

The trade outlook for 1976 is bright. Mildly optimistic projections for a 16 percent increase in total trade volume have recently been revised upward as a result of the extremely strong performance during the first four months of the year. The newly revised estimates now call for a total trade volume exceeding $15 billion—an increase of 35 percent over 1975. The new breakdown calls for $7.5 billion in exports and $7.7 billion in imports, and results in a trade deficit for the year of only $200 million.

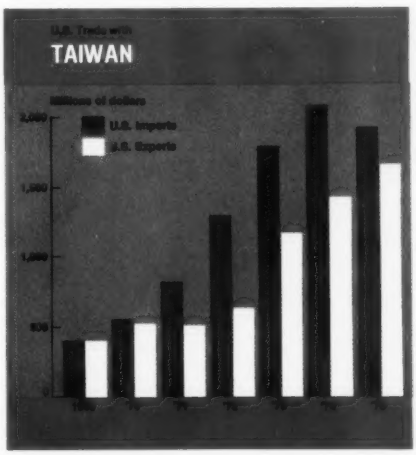
Partly as a result of the strong trade outlook, leading economists and government officials remain optimistic about the general economic recovery. Taiwan's GNP is expected to increase by 6.4 percent in real terms this year.

The textile industry should register the greatest increase in production; industries such as electrical and electronic products also are doing very well.

With the continuing upswing in Taiwan's economy, demand for imports of U.S. industrial equipment and supplies and raw materials should strengthen.

Goods with the best sales potential include electronics production equipment, electronic components, computers and advanced business equipment, food processing and packaging equipment, pollution control equipment and energy systems.

The Commerce Department opened a Trade Center in Taipei in 1974. Designed to provide a wide range of services to the U.S. businessman interested in marketing his product in Taiwan, the Center offers an ongoing program of trade promotion events which includes exhibitions, technical seminars, catalog shows, trade missions, and facilities for between-show promotions by individual firms. Upcoming events will feature process control equipment, communications equipment, advanced business equipment and systems, shipyard/shipboard equipment, automotive services equipment, machine tools, and pollution control equipment.



HONG KONG

Solid Growth Predicted As Economy Rebounds

The second half of 1975 saw a major turnaround in the Hong Kong economy, as it reacted to the upturn in world trade, and this trend should continue through 1976. The Hong Kong Government estimated that the gross domestic product growth rate for 1975 was .8 percent. This year should see a rate of 10 percent, Harry Stringer of the Bureau of International Commerce reports. The major external factors contributing to Hong Kong's recovery in 1976 are increased demand, especially in the United States, and stable or decreasing world commodity prices.

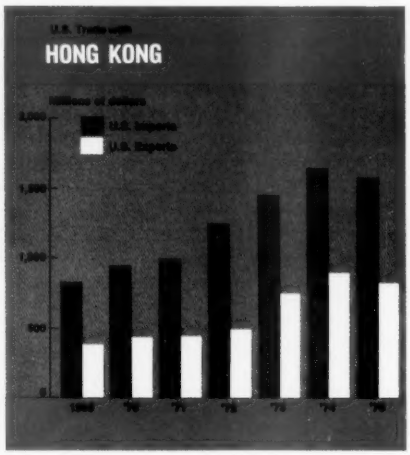
Hong Kong has also achieved an enviable record on the inflation front. The General Consumer Price Index rose only 1 percent in 1975 and this trend should continue this year.

The U.S. share of Hong Kong's imports fell by 14.3 percent in 1975 to 12 percent of total imports, with China and Japan the leading suppliers. The fall in the U.S. market share was due primarily to declines in cotton imports from the United States. Prospects for U.S. cotton in 1976 appear brighter because of tight world supplies and a greatly increased textile production capacity in Hong Kong.

Hong Kong's strongly pro-U.S. orientation and its duty free status combine to make it an excellent potential market for U.S. products. This was demonstrated last October at the American Fortnight, a series of commercial exhibits and cultural events, when over $20 million in U.S. goods reportedly were sold. In 1976 U.S. exports to Hong Kong should continue to be strong in electrical machinery sales, scientific instruments, photographic and optical goods, watches and clocks, textile yarn and fibers, fabrics and made-ups, transport equipment, chemical products, unworked precious and semi-precious stones, tobacco, cereal, fruits and vegetables.

Political stability, good transportation and communications, freedom from government interference, and low tax rates all favor Hong Kong as a site for investment by American companies either for manufacturing, services, or regional offices. The disadvantages are the high cost of land and the high cost of labor compared to other East Asian countries. However, these are ameliorated by the high productivity and skills of the labor force, the exceptionally small number of work stoppages, and the Hong Kong Government's policy of making land available at lower market rates to high technology industrial investment. There are 550 U.S. firms operating in Hong Kong, of which 106 are engaged in manufacturing, representing over 40 percent of foreign industrial investment in Hong Kong.

Upcoming U.S. trade promotional events will include a communications equipment trade mission in September, a machine tool trade mission in November, a packaging equipment technical seminar in March 1977, and a major trade fair of business equipment in April.



INDONESIA

Despite Economic Problems, Trade With U.S. Expands

The strong upward trend in U.S. trade with Indonesia continues in 1976 despite Indonesia's economic problems arising from the financial woes of the state oil company, Pertamina, M. Virginia Webbert of the Bureau of International Commerce reports.

U.S. exports of $490 million for the first five months were 40 percent higher and imports of $1,185 million were 45 percent higher than in the comparable period last year. While U.S. export growth was at a slower pace than in 1975, exports in 1976 should well exceed $1 billion while imports may reach $3 billion as the United States becomes an increasingly important customer for Indonesian oil. In 1975, crude oil and products comprised 86 percent of total U.S. imports from Indonesia.

Indonesia is pulling out of the financial crisis of 1975 when Pertamina failed to secure additional foreign credits for its overly ambitious investment program and to repay outstanding short-term debts. While the government's bail-out operation reduced foreign exchange reserves and necessitated new medium-term borrowing which will raise the debt service ratio and slow down implementation of planned development projects, Indonesia should be able to live with its balance of payments constraints in the next five years. Inflation in 1976 will probably be within the targeted 20 percent ceiling.

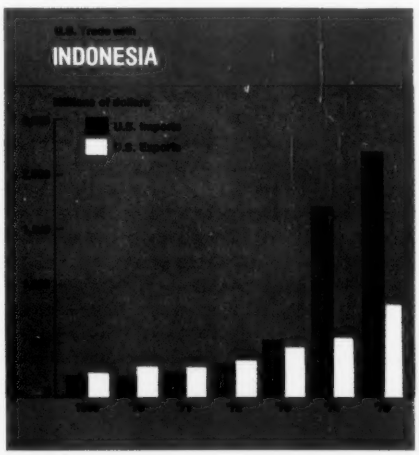
In FY 1975/76 (Indonesian fiscal year ending March 31) net official reserves declined by $364 million to $557 million. The balance of payments situation was aggravated by the slight decline in export earnings and a $59 million decline in net direct foreign investment due mainly to recession in overseas markets. Indonesia's uncertain investment climate also affected investment.

In 1975 (Jan.-Dec.), Indonesia's exports fell by 5 percent to $7,103 million, while imports rose by 23 percent to $4,712 million.

The balance of payments situation is expected to improve in FY 1976/77, with a projected increase in international reserves of $500 million. Export earnings are rising moderately through higher taxes on foreign oil companies and improved returns from other exports. On April 1, the government moved to stimulate non-oil exports by reducing export taxes and providing other incentives. Imports will probably increase by more than 20 percent.

In FY 1976/77 Indonesia will receive $1.4 billion in concessional and semi-concessional aid, of which the United States will provide about $100 million. Indonesia seeks $1 billion additional in commercial credits.

Of total U.S. exports of $810 million in 1975, $318 million were machinery and $118 million agricultural commodities. Continued purchases of these, supported by U.S. aid and Eximbank lending, and U.S. oil investment, will contribute to U.S. export growth in 1976. Best sales prospects include capital goods for mining, cargo and materials handling, timber processing, textiles, electric power and telecommunications. To promote U.S. exports, Commerce plans to hold a technical sales seminar on mining production and processing equipment in Jakarta in October.



KOREA

Economy Recovering, New Five-Year Plan Detailed

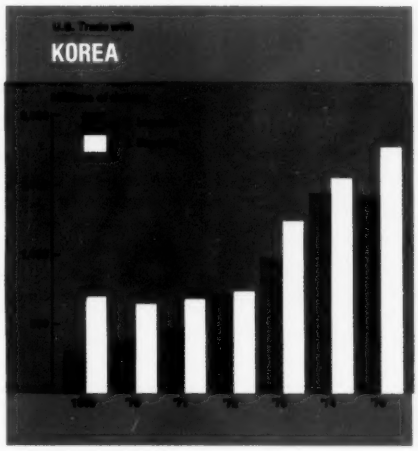
Propelled by an exceptional rebound in export demand, the Korean economy is strongly recovering from the combined effects of the oil crisis and subsequent international recession, the Bureau of International Commerce's Michael Schneider points out. For the first two months of 1976, the industrial production index was 34.9 percent above the same period in 1975, and the large increase in export letters of credit received in the first quarter of 1976 points to likely increased investment in manufacturing capacity and general economic buoyancy. After two years of extensive short-term borrowing, net long-term capital inflows are expected to cover the current account deficit of $1.5 billion projected for 1976.

Although paying a price in terms of the deterioration of its balance of payments position and a high level of domestic inflation, the Korean economy averaged annual real growth of 8 percent over the past two years, and that rate will almost certainly be maintained or exceeded in 1976. The strength of the current export surge should also permit Korea to achieve its goal for this year of a trade deficit of less than $1 billion, contrasted with a deficit of $1.6 billion in 1975, and a diminished rate of inflation on the order of 13 percent, almost half the 1975 rate of 24.4 percent.

Given Korea's relatively strong performance during the past several years and the excellent prospects for this year, U.S. industrial sales should increase during the remainder of 1976, particularly those of capital goods. Moreover, the investment climate remains favorable.

The Government of Korea has just made public details of its Fourth Five-Year Economic Development Plan, for 1977-81. The Plan foresees a yearly increase in real GNP of 9 percent and a per capita GNP at the end of the period of $1,284 in current prices, roughly double the 1975 figure of $530. On the basis of 1975 prices, exports in 1981 are to reach $13 billion and imports to attain a level of $12.4 billion. To support the investment objectives of the Plan, the government estimates that $10 billion in foreign capital inflows will be required. Support for strategic and heavy and chemical industries will be intensified.

The U.S. share of the growing Korean market expanded to 25.9 percent last year, on the basis of exports valued at $1.8 billion. U.S. machinery and equipment with the greatest incremental sales potential over the next few years are, in order of priority: metalworking and finishing equipment, construction equipment, energy systems, electronics equipment (for production and testing) and electronic components, laboratory instrumentation, process control equipment, textile and apparel machinery, health care industries equipment and instrumentation, and computers and business equipment and systems. Other promising areas are avionics and ground support equipment for civil aviation, communications equipment and systems, pollution-control instrumentation and equipment, and food processing and packaging equipment.



NEW ZEALAND

Government Steps Brighten U.S. Export Prospects

The expected moderate rate of recovery in the world economy should ameliorate New Zealand's mild recession. Government policies to increase business and farm profits and stimulate investment should provide increased opportunities for U.S. exports, reports Nancy H. Keely, Bureau of International Commerce.

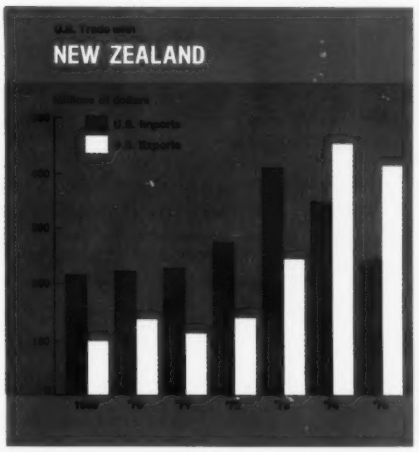
The deteriorating economy, accompanied by large government deficits, loss of foreign exchange reserves (US$576 million, end of CY '75—down from almost US$870 million, end of CY '73), and heavy borrowing abroad helped the National Party gain its decisive November election victory over the Labour Party. The new government is assigning priority status to improving the country's balance of payments. The adverse trend, beginning with 1974, stemmed largely from declining demand for New Zealand exports of meat and dairy products accompanied by sharply rising prices for imports of petroleum products, industrial supplies, and agricultural equipment.

Although for FY '76 the gross national product is expected to have increased to about US$10.4 billion, in terms of current prices, real GNP growth is expected to decline from 4.5 percent for the year ending March 1975 to a negative growth for FY '76 as foreign borrowing and the volume of production decline. To help combat inflation (which rose 15.8 percent in 1975), the government cut back prior cost-of-living wage and salary increases, thus having them come well within the CPI increase for that period. Changes in the cost-of-living wage adjustment regulations will benefit mainly workers with total weekly incomes under NZ$100.

Measures have also been taken to shift a larger share of national income away from consumption and into investment and the agricultural sector. The restoring of business and farm profits should stimulate investment and provide additional opportunities for exports of U.S. capital equipment. Additionally, the regional Assistance Program has been created to encourage development in areas having below average growth in recent years.

The total value of New Zealand imports reached US$2.8 billion (c.i.f.) for the year ended September 1975. Imports from the United States, New Zealand's third principal supplier, represented 13.9 percent of New Zealand's total imports (U.K., 19.8 percent; Australia, 19.6; Japan, 12.9). U.S. exports to New Zealand should benefit from the complete phasing out of British preferences by July 1977.

Products offering good potential for U.S. exports include: food processing and packaging equipment, electric power generating and measuring equipment, coal mining machinery, petroleum and gas exploration and development equipment, natural gas processing, distribution and utilization equipment, heavy transport (for example, logging) equipment. A continuing potential exists for tobacco, synthetic rubber, chemicals (including industrial, fertilizers, insecticides, and fungicides), pharmaceutical compounds, metals, and cotton and synthetic fibers and fabrics. The U.S. Trade Center in Sydney serves the New Zealand market.



PAKISTAN

Inflation Rate Moderates, Business Confidence Improves

Trade between the United States and Pakistan remains, in mid-1976, a lopsided affair, with U.S. sales to Pakistan far exceeding purchases.

GNP growth, estimated at 4 to 5 percent, barely keeps ahead of the population growth, according to Andre Williams of the Bureau of International Commerce.

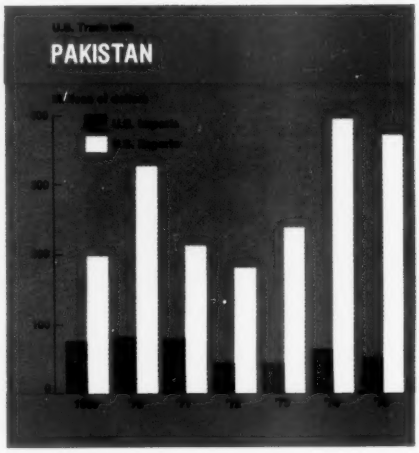
Pakistan has taken steps to normalize relationships with its neighbors, and this has contributed to an increased level of confidence in the business community. Inflation, which had reached a 30 percent rate in 1974, has now moderated to 8 percent.

The most serious problem affecting the economy remains the large gap in the balance of payments, not just with the U.S. alone, but worldwide. The trade deficit in 1975 rose to $1.2 billion, and little improvement seems to be in sight for the current year. This directly affects the prospects of U.S. suppliers as it dries up sources of financing, with 30 percent of export earnings earmarked just to service the external debt.

Pakistan is also the recipient of considerable aid, however—enough to finance half of its imports. Such assistance comes from OPEC countries, as well as from such traditional lending institutions as the World Bank and the Asian Development Bank; and a consortium for aid to Pakistan also contributes. Some aid, approximately 25 percent, is tied to European or Japanese manufacturers, but the remaining three-quarters provides American manufacturers with opportunities for sale of equipment for various major projects Pakistan is emphasizing in development of its infrastructure. This is particularly true of heavy construction and electrification equipment, engineering services, port facilities and projects intended to enhance the country's export potential. Specifically, major projects include: development of the Sui gas fields, development of Port Qasim electrification in connection with the Tarbela Dam, expansion of telecommunications services, improvements at Karachi airport and new terminal building at Lahore airport, new diesel locomotives and rolling stock for Pakistan railways, various irrigation projects, various television broadcast facilities, expansion of Karachi shipyards, and a number of projects related to public and rural health improvement, and expansion of health education facilities. Agricultural commodities traditionally have been a major American export to Pakistan.

U.S. products are well regarded in Pakistan and are frequently favored over other foreign materiel, especially in the area of heavy-duty machinery.

The Bhutto Government has repeatedly stated that foreign investment is welcome in the country but, in practice, each case has been scrutinized carefully and approval has been slow in being granted, with the result that foreign investment has barely kept pace with depreciation and capital repatriation. Private investment remains low; much of it is in small-scale plants for which statistics are inadequate.



PHILIPPINES

GNP Improves, But U.S. Trade Position Declines

The United States is losing ground to others, notably Japan, in its trading position with the Philippines, according to Andre Williams of the Bureau of International Commerce. An unfavorable trade balance in 1975 left the country with a $520 million payments deficit, and indications are that this will repeat itself in 1976—a situation that adds up to a gloomy outlook for the external sector. Not yet fully evaluated are the effects of a severe typhoon in late spring 1976 which will add to the economic woes of the country.

The 1975 performance, however, exceeded expectations in that the GNP grew at a rate of 5.9 percent, and agriculture, the dominant sector, saw production increases in almost all areas except forestry, which fared badly. Agricultural output accounts for nearly a third of national income and involves more than half the population. Government policy is to encourage export industries through accelerated growth and development of the industrial sector.

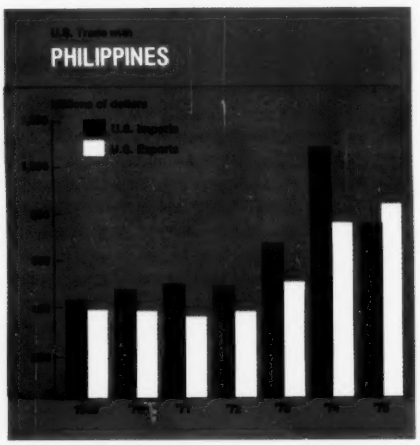
As these exports are primarily to Japan and to the United States, which together account for 65 percent of Philippine sales abroad, recession conditions in both countries brought about a dramatic drop in earnings, 15.8 percent less in 1975 than in 1974, at the same time that imports climbed 10 percent.

In addition, there are areas of disagreement, currently being examined, between the Philippines and the United States. Under the Generalized System of Preferences, which lists the Philippines as a beneficiary country, coconut oil and mahogany veneer might receive duty free treatment in the United States, but these two important sources of export sales fail to qualify on a technicality.

In spite of these negative factors, and because of the program of infrastructure development, several large projects requiring considerable amounts of capital, engineering expertise, and sophisticated equipment and machinery will be undertaken in the next few years. They have the backing of the World Bank and of the Asian Development Bank. They include transportation (roads, railway, shipping), ports and harbors, dams and irrigation, but the most ambitious by far is the $1.2 billion nuclear power project undertaken by Westinghouse and backed by Eximbank.

Thus, in capital goods at least, opportunities await U.S. manufacturers, who have supplied the Philippines in the past with machinery, transport equipment, cereals and cereal preparations, textile fibers, chemicals and base metals. Additionally, the Philippines is attractive to American firms interested in locating in East Asia because of the familiarity of the business community with U.S. methods, the widespread use of English, skilled manpower at reasonable rates, and a favorable investment climate.

Manila will be the locale for several promotional events in 1976-77. Planned are a timber industries equipment exhibition in early 1977, and trade missions promoting machine tools and building supplies and equipment in November and in January 1977, respectively.



SINGAPORE

Economy Expands, Outlook Encouraging For U.S. Exports

The U.S. was Singapore's largest trading partner in 1975 with exports to the Republic of nearly $1 billion. The 1976 outlook is excellent and prospects remain encouraging for the sale of U.S. equipment and services, according to J. Lee Barnes of the Bureau of International Commerce.

The U.S. supplied about 16 percent of the country's imports in 1975. Major factors accounting for the U.S. market position include Singapore's continued economic growth and strong balance of payments position, the price competitiveness enjoyed by U.S. suppliers and the country's demand for capital goods.

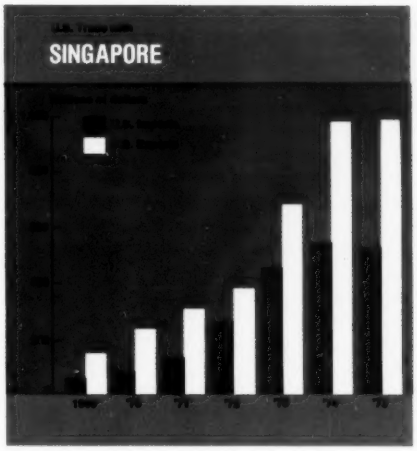
Real GNP growth for 1975 is estimated at 4 percent, with the outlook for 1976 even better as the world economy improves. Singapore's balance of payments showed a $135 million surplus for the first half of 1975 and total foreign exchange reserves reached $3 billion.

Singapore weathered the recession rather well and output is picking up, reflecting renewed foreign demand. The shipbuilding and oil refining industries, however, are in a slump with few new orders for oil rigs and service vessels and shrinking markets for refinery products. In an effort to offset these negative factors and add stimulus to the economy the government budget was increased some 18 percent over the spending levels of last year with special emphasis on housing, commercial and industrial development and additional infrastructure projects such as the new international airport at Changi.

Singapore's Economic Development Board emphasizes capital intensive industrialization. As a result, the market for U.S. capital goods is expanding rapidly. Best prospects for U.S. goods exist in building and construction supplies and equipment; metalworking machinery; polution control and communications equipment; energy systems; process control and laboratory instrumentation, and packaging and materials handling equipment. It should be remembered that the market is competitive and very conscious of price, delivery time and after sale service.

The U.S. Regional Trade Center in Singapore promotes the sale of U.S. goods and services through a variety of techniques including product displays. Exhibitions featuring energy systems, process control instrumentation, equipment for the graphic arts and communications industries and electronic industries production and test equipment are planned. Between regularly scheduled promotions U.S. firms are invited to utilize the new, enlarged Trade Center facilities, to exhibit products and hold sales meetings.

Many U.S. companies have located in Singapore to take advantage of the excellent business climate. At least 26 U.S. banks with branches or representatives are operating in the Republic at present. The government's fiscal and monetary policies have been encouraging the establishment of banks and Singapore's development as a regional financial center.



THAILAND

Economic Recovery Seen; U.S. Sales Prospects Favorable

Buffeted by a worldwide recession and a discontinued American military presence, U.S. exports to Thailand fell last year to $357 million, Robert McLaughlin of the Bureau of International Commerce reports. The outlook for 1976, however, indicates a number of expanding markets of interest to U.S. suppliers.

Although Thailand did encounter economic problems last year, signs of recovery have already appeared. During the first quarter of this year, increases were registered in both the volume (30.5 percent) and price (11.8 percent) of agricultural exports, down sharply in 1975. More than 30 investment projects totaling $43.5 million were started the first quarter against only 25 projects valued at $8.2 million for all of 1975.

While recession characterized the economies of most countries in 1975, the growth rate of the Thai economy was 6.4 percent in real terms, hardly a figure associated with recession. By other measures of economic health, however, performance was not so bright. The trade deficit widened, the balance of payments registered its first deficit since 1971 ($140 million), and foreign exchange earnings declined to $1.3 billion.

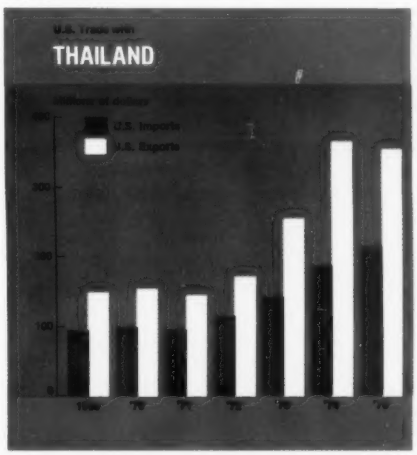
Though the total volume of Thai trade was down only slightly in 1975, the country paid more for what it bought and received less for what it sold.

With the exception of sugar, all of Thailand's major exports (rice, tin and rubber) showed earnings declines. Forecasts call for a continuation in the adverse trend in the terms of trade and another payments deficit is likely in 1976.

Despite the aforementioned weaknesses, prospects for recovery are favorable. General demand from industrial nations has begun to rise as the American and Japanese economies improve. Foreign investment and imports will aid development of both rural and industrial areas. The Ministry of Industry plans to assist five big industries: integrated steel, fertilizers, petrochemicals, oil and mining. Further, the Thai Government is seeking loans from international organizations and private financial institutions to prevent foreign exchange constraints from impeding recovery.

Some of the best opportunities for U.S. companies in Thailand are in agribusiness. With the government's emphasis on raising rural incomes and developing the economy in the countryside, sales prospects look particularly attractive for exporters of agricultural and food-processing machinery and equipment.

The government is expected to allocate considerable sums for irrigation, power generation and transmission, rural electrification, transportation including road and bridge construction, airport expansion and port improvement, and expansion of telephone facilities. Continued development and extraction of the country's mineral resources will create increasing demand for mining equipment. There are expanding markets for a wide range of consumer goods, as well as for office and EDP equipment, scientific instruments, printing and graphic arts materials, and hospital and medical equipment.



SUB-SAHARA AFRICA: BURDENS END SURGE IN U.S. EXPORTS

High Import Costs Bring Trade Slowdown

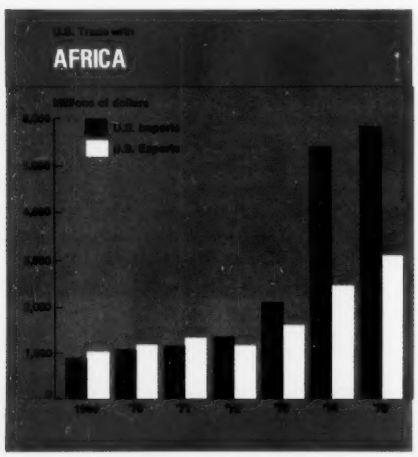
The refrain, it was a very good year, aptly describes the 1975 export scene in Sub-Sahara Africa. U.S. sales reached $3 billion, an increase of a hefty 26 percent, according to Sally K. Miller of the Bureau of International Commerce.

This year will not, however, see a continuance of that surge, and may witness no growth in exports at all. Through May U.S. exports were already down 1.4 percent. African economies in general are still attempting to cope with the combined burdens of quadrupled oil prices, heavy debt levels, sharply increased costs for capital goods, depressed commodity prices and high imported food costs.

The composition of U.S. exports continues to reflect preponderance of transportation and capital equipment. By far the strongest product lines are construction and mining equipment, aircraft, motor vehicles, railway locomotives and parts, and agricultural equipment.

Two developments in this year's trade should have favorable longer-term implications for a more successful penetration of the African market by U.S. firms. First, U.S. sales were dependent upon agricultural exports to only two of the top 20 markets: Sierra Leone and Somalia. Second, the United States is beginning to offer challenges in consumer goods. Textile fabrics, both cotton and synthetics, were among the first such consumer goods marketed by U.S. firms in Africa. These have been joined by wearing apparel, reading material, records and tapes, film, and even furniture and domestic appliances.

Significant trade opportunities exist for U.S. suppliers in several of the secondary markets. Thus far this year U.S. manufacturers have succeeded in increasing U.S. sales to Ghana and Ethiopia, contrary to most expectations. Ghana remains chronically short of foreign exchange and continues to require licenses for most imports as well as for foreign exchange remittances. Yet opportunities continue to exist, principally in the areas of agricultural equipment, and building and construction supplies and materials.

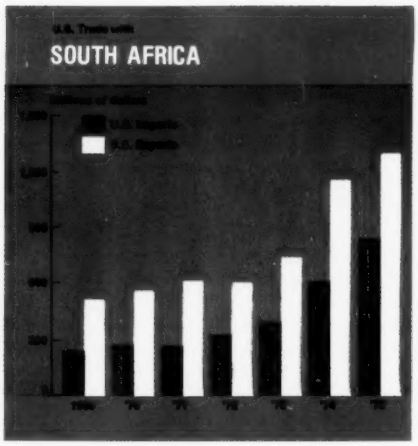


Ethiopia's finances have weathered the past 18 months of social, economic and political changes with remarkable stability. While foreign investment has nearly ceased, export earnings have risen as a result of the higher prices commanded by coffee. Although the focus for the bulk of purchasing has shifted onto the government, opportunities are good for agricultural equipment and supplies—especially fertilizers and seeds, telecommunications equipment and mining equipment.

The increasing prices commanded by natural rubber and forestry products should enable Liberia to weather without undue stress the lower iron ore prices forecast for the remainder of 1976. U.S. exports have fallen off during the first third of this year and the projection is for a less than $100-million year, but the United States should easily retain its dominant share of the $350-million Liberian market. The country's four-year development plan that just went into effect offers significant opportunities for sales of U.S. construction, mining, agricultural and forestry equipment.

U.S. exports to Zambia have fallen upon hard times. The country registered no growth last year and there are no prospects for improvement this year. The sharp decline (55 percent) in U.S. exports to Zambia mirrors the country's economic malaise. Total U.S. shipments for this year should not exceed $35 million. The bear copper market was closely followed by massive transport route disruptions during the Angolan conflict, which have not yet been repaired. The budding world economic recovery should spur an upturn in copper prices by the end of the year. With the increased revenues these higher prices will earn, sales opportunities may improve in the priority areas of agriculture, mining and transportation.

Senegal is mid-way through its third year of good peanut harvests, and high peanut prices. United States exports were up 40 percent through May and should reach $30 million for the year. That figure still represents only 7 percent of the total Senegalese import market.



SOUTH AFRICA

U.S. Records Modest Gains In Bridled Import Market

Most U.S. exports to South Africa for the remainder of 1976 are expected to show only minor increases in volume, although the aircraft category may get a boost as South African Airways takes delivery of its 747s throughout the year, reports Sally K. Miller of the Bureau of International Commerce.

U.S. exports should exceed $1.3 billion, but the growth over the 1975 level should not be more than 3 to 5 percent. That figure should be substantial enough for the United States to gain nearly an 18 percent share of the market.

Strong performers on the U.S. side include capital and transportation equipment, but select consumer items also perform quite well. Nearly a quarter of all U.S. exports are in the transportation sector—air, road and rail. Construction and mining, mechanical handling and machine and power tools account for another 10 percent. Various telecommunications and industrial process control exports have also had a very good year, spurred on to some extent by South Africa's entry into the video age in January. Such well known U.S. exports as heating and cooling equipment, and the full range of office machines fared well. Textiles, both synthetic and cotton, rice and film lead the consumer list.

Last year's trade deficit of $4.2 billion was not entirely balanced by gold sales that amounted to $3.5 billion. The current account deficit of $2.2 billion was, however, more than offset by an inflow of foreign capital of $2.4 billion. Increased restraint will be evidenced in approving permits for those goods not on South Africa's free import list. Consumer goods may bear the brunt of the stricter policy. South Africa released on June 8 the second of its 1976 import allocation per-

mits. Together with the earlier allocation of 40 percent, June's 30 percent brings the yearly total up to 70 percent of the 1975 level. Goods covered by these allocations include consumer goods, clothing, foods and alcoholic beverages. The issuance of a third allocation for 1976 will no doubt also be delayed and could result in the 1976 total being less than 1975's.

The government in March undertook a series of monetary and fiscal measures aimed at correcting the balance of payments and inflation problems that have pursued the economy since the latter half of 1974. The South African economy experienced a marked slowing during 1975; real growth averaged 2.25 percent.

South Africa will be following very closely the growing upswing in Western economies. Traditionally, its export earnings from minerals, gems and agricultural commodities have risen in direct response. The problem lies in the length of time that elapses before those prices reflect the demand-pull impact.

Most observers do not expect marked improvement until the last quarter of 1976 or the first one of 1977. Consequently the outlook for 1976 is for little if any improvement in gross domestic product. Should the terms of trade not improve until very late in the year to spur on the country's exports, there is a possibility that GDP may register on the negative side.

Unlike 1975, the government will not be a major source of expanding projects and public sector investments. The budget is only 10 percent higher than last year.

A number of projects bear watching by U.S. suppliers. Expansions will continue at two refineries in Durban and Cape Town. Construction on at least three main projects will be getting under way in 1976: SASOL II coal to oil plant, the Koeberg Nuclear Generating Station, and the Drakensberg Hydro Scheme. A U.S. firm is the project contractor for SASOL II; U.S. suppliers should be able to supply a substantial portion of equipment and supplies. The Koeberg project was awarded in May to a French consortium despite active General Electric contention. The overall contractor has not yet been awarded for the Drakensberg project, although U.S. firms are actively participating in bidding. A decision has been made to expand the newly commissioned harbor at Richards Bay into a major general cargo port by 1978. In addition, a number of mining ventures offer strong sales opportunities. The Richards Bay Minerals Co. is in the initial stages of developing its $300-million titanium deposits on the north Natal Coast. The government's decision to foster an expansive coal export policy should result in a need for substantial amounts of coal mining machinery as new mines open.

NIGERIA

Oil Revenue Makes Market A Prime Target For U.S.

U.S. exports to Nigeria are expected to reach $670 million in 1976, up 25 percent over 1975, continuing a three-year upward trend, according to Reginald F. Biddle of the Bureau of International Commerce.

Oil continues to feed Nigeria's boom, and makes it a prime target for U.S. exports. The United States is currently the number three supplier to the Nigerian market behind the United Kingdom and West Germany. Nigeria is expected to be spending $11 billion per year on imports by 1979-80. GDP was over $23 billion in 1975, and import requirements topped $5.9 billion. Oil, with over 45 percent of Nigeria's GDP, is the biggest sector, followed by agriculture, with 23 percent. The real growth rate has been around 9 percent annually for the last six years.

The Federal Military Government (FMG) has announced a reordering of priorities under the Third National Development Plan 1975-80, including a downgrading of prestige projects and a placing of more emphasis on housing, health and agriculture. The FMG's housing program will be increased from 60,000 to 200,000 units by 1980. Federal outlays in the health sector will increase from $500 million to $2.7 billion for the same period. The FMG has launched "Operation Feed the Nation" to increase food production. In addition to the existing duty-free importation of agricultural machinery for soil preparation, import duty has also been abolished for all types of machinery imported for food production.

To improve the progress of transportation development and the building industry, import duties have been reduced on trucks and lorries, and semi-finished iron rods and glass.

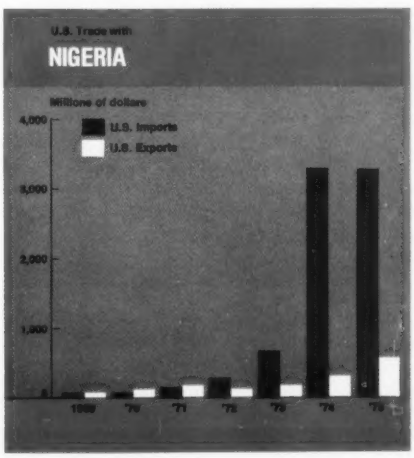
As a result of new foreign exchange controls issued by the Central Bank, banks in Nigeria stopped writing letters of credit, temporarily, due to confusion caused by the government's ruling that all letters of credit must be prepaid in full by the importer in naira to a bank in Nigeria. Confusion was compounded by the vague specification of the exact shipping documents required for letters of credit and the nonavailability of the new mandatory port cargo clearance certificate. The Central Bank has since made clear that banks need not demand advance deposits against letters of credit above usual levels for their customers and has specified the shipping documents required for release of foreign exchange.

There is uncertainty among the U.S. business community as to the direction toward which the new Nigerian indigenization laws will eventually lead. The Nigerian Head of State announced on June 29 a second phase of indigenization, involving three schedules, under the Nigerian Enterprises Promotion Decree. Schedule I requires 100 percent Nigerian participation; schedule II requires 60 percent; and schedule III, which will be made up of all enterprises not listed specifically in schedules I or II, requires 40 percent Nigerian participation.

A number of other events in Nigeria have caused concern among the U.S. business community. An unsuccessful coup attempt occurred in February. On April 1, Nigeria issued an import prohibition on 56 categories of goods, in a move designed to reduce inflation and help ease the port congestion problem. The congestion of Nigerian ports has lessened but is still a problem. An embargo on air shipments consigned to banks for delivery to third parties has been instituted. Nigeria had announced that all imported goods are to be in the metric system. Invoices on consumer goods are to be in the metric system as of April 1, and on transport and heavy equipment as of Dec. 1. Markings on prepacked goods are to be exclusively metric.

Implementation of the projects of the Third Plan depends on considerable importation of materials and equipment. Best prospects for U.S. export sales to Nigeria will continue to be machinery and transport equipment; building and construction supplies and equipment; materials for health care; energy systems generation and transmission; oil field, gas gathering and processing machinery, services and equipment; materials handling machinery and equipment; graphic arts equipment; and motor vehicle maintenance tools and facilities.

In remaining months of 1976, Commerce will sponsor technical sales seminars on modern telecommunications systems and integrated agribusiness, and catalog shows on consumer goods and printing and graphic arts.



GABON

Dynamic Market Offers Variety Of Opportunities

Fueled by the country's expanding petroleum-based economy and ambitious development program, U.S. exports to Gabon should increase substantially during 1976, according to Philip Michelini of the Bureau of International Commerce. The soon-to-be released $2.5 billion Third Five-Year Development Plan (1976-80) will detail trade opportunities which easily could push U.S. sales of goods and services to over $100 million by 1978.

Gabon has become in recent years one of Africa's biggest success stories. Future oil production will remain the key to continued economic advancement, and the current best estimates are that production will remain at or near the 1975 level of 11.6 million metric tons for at least the next 15 years. In addition, in 1976 market prospects have become increasingly bright for the country's important manganese, uranium and timber sectors. Currently Gabon is the world's biggest exporter of manganese, and by 1983 marketing is likely to start for its one billion tons of iron ore reserves.

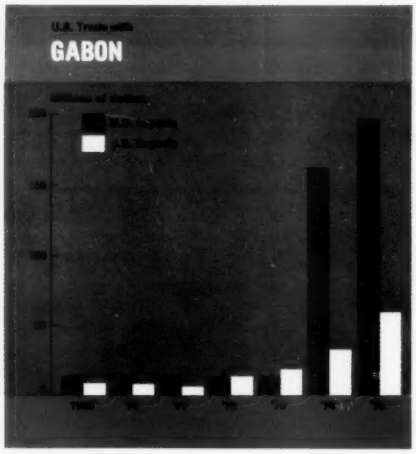
The U.S. competitive position has become stronger during 1976 as the business-oriented government of President Omar Bongo has sought to diversify sources of supply and investment and end the long-standing trade preferences granted to France and other members of the European Economic Community. Goods from all developed countries, including the United States, now pay the same import duties.

A continued increase in U.S. exports is constrained largely by the size of the market, approximately 600,000, and the relatively limited absorptive capacity of the country. Successful companies report the best way to secure contracts is through personal contact with government ministries and agencies, and, in most cases, association with an aggressive local agent.

As part of its development effort, Gabon is proceeding with several infrastructure projects. U.S. construction, equipment or services sales opportunities include the $100-million Santa Clara minerals port project, expansion of the harbor and airport facilities at Port-Gentil, the $500 million Grand Poubara and Tchimbele hydropower projects, construction of 530 miles of roads and bridges during the next three years, and numerous housing, hotel, industrial plant and office building facilities. Some $350 million is expected to be spent on implementing various agribusiness projects during 1976-80. Other areas of Third Plan emphasis are likely to be public health and communications, as well as promotion of diversification of the largely private-controlled $200-million industrial manufacturing sector.

Best sales prospects include mining, construction and building equipment and supplies, transport vehicles, especially trucks, locomotives and aircraft, timber and woodworking equipment, agricultural equipment and services, power generating systems, and materials handling machinery.

In November Commerce will sponsor an integrated agribusiness technical sales seminar in Libreville.



IVORY COAST

Sound Management Allows Rapid Economic Recovery

Despite unfavorable external conditions, the Ivorian economy displayed fundamental resilience in the 1973-75 period, reflecting the success of past efforts to diversify the economy and generally sound economic management. Although the balance of payments will continue in deficit in 1976, there is expected to be a rebound in the Ivorian economy stemming from a rising volume and price for coffee, cocoa and timber exports. U.S. sales should reach $85 million, up 8 percent from the 1975 level of $78.3 million, according to Philip Michelini of the Bureau of International Commerce.

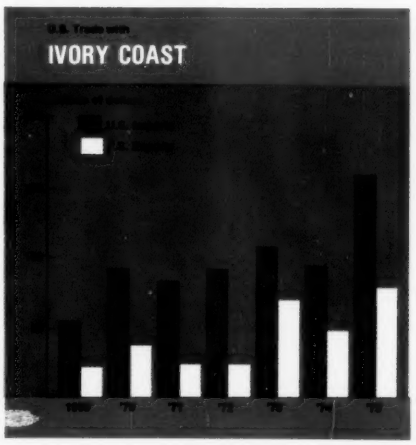
The American Embassy in Abidjan reports that U.S. products have become more competitive, not only because of a lower level of inflation in the United States, but also because the Ivory Coast in July 1975 abolished reverse preferences (duty-free entry of goods from the European Economic Community), thus enabling U.S. goods to compete on an equal footing. The principal obstacles to increased U.S. sales are now the lack of independent agents and distributors (most of which are owned by or tied to traditional European suppliers, many of whom require head office authorization to take on new lines), the necessity of doing business in French, and the need to overcome traditional trading patterns.

U.S. traders can combat these problems by opening up direct channels of distribution (providing financing where necessary to permit independent distributors to operate competitively), and by making their products known to end-users by advertising technology and price. Servicing and spare parts availability are also major marketing points. Over 200 U.S. companies now sell their products in the Ivory Coast.

Several major upcoming development projects offer sales opportunities for U.S. suppliers of equipment and machinery: the design, construction and equipping of two hydropower facilities at Buyo and Soubre, a series of sugar projects at Ferkessadougou, the $1-billion exploitation of the Mt. Klahoyo iron ore deposit, a $300-million railroad or $80-million pipeline to the iron mine, and expansion of the ports of Abidjan and San Pedro. A number of investment opportunities exist in the agribusiness, wood processing, tourism and consumer goods sectors.

The as yet unpublished Five-Year Development Plan (1976-80) will provide details and pinpoint additional sales and investment opportunities. The capitalist-oriented Ivorian Government of President Felix Houphouet-Boigny is trying to diversify its sources of foreign investment and is eager to attract American capital. Several U.S. companies in recent years have taken advantage of Ivory Coast's solid political stability and liberal 1959 Investment Code; in 1975 U.S. direct investment increased 87 percent to $56 million. A growing number, drawn by the capital's attractive location and modern facilities, are establishing regional headquarters in Abidjan.

Commerce plans to send a trade mission on food processing and packaging equipment to Abidjan in November.



KENYA

Economic Slump Brings Decline In U.S. Sales

U.S. exports to Kenya are expected to decline 15 percent to $41 million in 1976 as a result of the country's economic slowdown, according to Mary L. Manley of the Bureau of International Commerce.

Sharp rises in some import prices, particularly of petroleum, and a poor agricultural season were major causes of the economy's weak performance. In 1975, U.S. exports declined slightly from $48.2 to $48 million. Sizable quantities of kraft paper, aircraft and parts, tractor chassis, telecommunications equipment, agricultural chemicals, and mineral crushing machinery were principal U.S. exports.

Kenya's 1975 import total of $972.4 million was $43.5 million less than that of 1974. With a 2 percent increase in total export earnings (to $592 million) recorded in 1975, a $27 million drop in the current account deficit of the balance of payments was achieved.

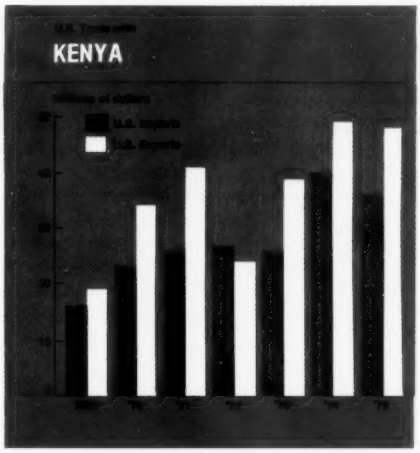
Through 1977 Kenya will remain dependent on balance of payments support, as resumption of import growth cannot be matched immediately by export earnings. The 14 percent devaluation in October was an important step toward restoring balance of payments equilibrium in the medium-term.

GDP at 1972 prices increased by 1 percent to $2,065 million and per capita income dropped 6 percent to $153 as of December. The slowdown in manufacturing (down to 6 percent, from 8 percent in 1974) was linked to slumps in domestic and foreign demand. Real earnings in the important tourism sector have been maintained. Inflation is at a high level (20 percent) in the wake of devaluation of the Kenyan shilling.

In 1975, imports of machinery and other capital goods, the major area for U.S. exports, increased by 45.7 percent, while their share of total imports rose to 16.6 percent. In this category the most substantial increases were in food processing machinery, mining and mineral crushing equipment, and cargo handling equipment. The volume of food imports, such as wheat and sugar for further processing, also increased.

The outlook for the Kenyan economy is for a higher GDP growth rate, some recovery in wage employment, a smaller balance of payments deficit, and some shift in distribution of income in favor or rural areas. Earnings from coffee, a major export, should double, and income from tourism seems likely to increase by 15-20 percent. Greater development emphasis on the rural sector should increase demand for grain handling equipment, sugar cane handling and processing equipment, and food processing and packaging machinery. Traditional U.S. exports of light industrial machinery and equipment, agricultural chemicals and transportation equipment are likely to continue selling well.

Kenya's central location and modern capital of Nairobi have encouraged many U.S. firms doing business in eastern Africa to establish regional headquarters there. In 1975 U.S. business committed $25 million in new investments, notably in joint ventures for a fertilizer complex and a motor vehicle assembly plant. In November a Commerce-organized food processing and packaging machinery and equipment trade mission will visit Kenya.



SUDAN

U.S. Exports Continue Four-Year Rising Trend

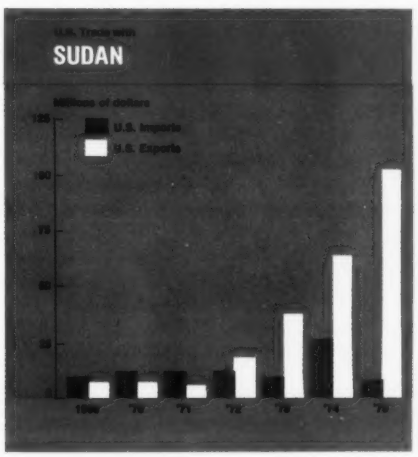
U.S. exports to the Sudan are expected to reach $133 million in 1976, up 29 percent over 1974, continuing a four-year rising trend. The U.S. share of the market grew to 12 percent in 1975, owing to high-value sales of wheat and transportation equipment and expanded exports of agro-industrial goods, according to Mary L. Manley of the Bureau of International Commerce.

The rapid growth rate of Sudanese imports sustained since 1973 seems likely to decelerate, as international payments will absorb a larger portion of the country's foreign exchange after 1977. On the positive side, the Sudan Government is striving to maximize short-term gains in order to maintain moderate growth. GDP ($2.7 billion in 1975) grew at a 4-5 percent rate during 1974 and 1975. Inflationary pressures intensified as the value of food and petroleum imports jumped from $106 million to $265 million in 1975. Higher costs of capital goods also caused the current deficit to rise from $22 million to $400 million in 1975. To expand export earnings and improve the balance of payments, self-sufficiency by 1980 in wheat and sugar, both major imports, is a development objective. Long-staple cotton acreage reduction in favor of peanuts and medium-staple cotton varieties that are in greater demand is under way.

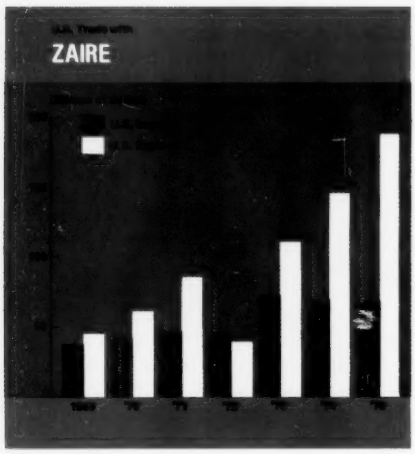
In 1977 the multiplicity of services required for the developing Sudanese economy will continue to expand the market for aircraft, river boats and road and railway equipment. Sales opportunities will increase for food processing, packaging and textile machinery and equipment for edible oil milling, sugar handling and processing, and grain storage.

Civil aviation will play an important role in meeting domestic transportation needs. Current plans call for new airports at Port Sudan and Wau; a new terminal at Juba; and extensive improvements at Malakal. Communications, navigational and maintenance equipment is to be purchased for all four airports.

Development opportunities derive not only from the Sudan's vast agro-industrial potential and expanding markets but also from its ability to tap surplus funds of the Organization of Arab Petroleum Exporting Countries. The public sector's investment target in the coming decade exceeds $9 billion. In May 1976 the Arab Authority for Agricultural Investment and Development, an Arab League agency, announced it would implement a $2.2 billion six-year program for the Sudan. This infusion of Arab capital in the 1977-83 period is to be focused on 61 projects. While the recent extraordinary rate of U.S. export growth cannot be sustained, the market for U.S. products is becoming much broader based. U.S. firms will find opportunities for exports of large quantities of machinery and equipment for agriculture, construction, and agribusiness as well as of trucks and chemicals. As the mining sector is systematically explored, demand for equipment and technology should grow.



☆ U.S. Government Printing Office: 1976, 210-923/28



ZAIRE

Decline In Trade With U.S. Reflects Economic Malaise

U.S. exports to Zaire will decline significantly in 1976 from their record 1975 level of $187.5 million, according to Philip Michelini of the Bureau of International Commerce. Through May, American sales were down to $41.6 million, a decline of 52 percent from the level of $86.6 million a year ago.

The decline in U.S.-Zairian trade is a reflection of the general and deepening malaise which has affected the Zairian economy since the last quarter of 1974. Although the price for copper, which had fallen over 65 percent from the peak level of $1.34 a pound attained in late 1973, has shown limited signs of recovery in recent months, falling production, transport bottlenecks, a shortage of essential supplies and restricted revenue inflows are likely to prevent any economic upturn before 1977.

Eventual economic recovery will depend upon effective implementation of the austerity program which the Government of Zaire has been compelled to embark upon. Foremost element in the program has been a $163-million credit from the International Monetary Fund in February.

In addition, during June, 11 major creditor governments including the United States agreed to let Zaire postpone repayment of debts due in 1975 and 1976 for up to 10 years. Private debts, such as those owed American suppliers and commercial banks, are not dealt with in the current agreement and will be the subject of future negotiations. Zaire's total external debt is estimated at $3-3.5 billion.

The Government of President Mobutu Sese Seko has announced a program of stringent import and exchange controls. To help eliminate the country's massive trade imbalance, which in 1975 totaled $233 million, since May 12 all importers must deposit with the Central Bank of Zaire 80 percent of the cost of an imported item before an import license is granted or a letter of credit opened. Exceptions are a 50 percent deposit in the case of food and pharmaceutical products and no deposit for raw materials and industrial machinery spare parts.

U.S. suppliers seeking trading opportunities in Zaire will find the agricultural and transportation sectors providing the best short-term marketing opportunities, since the government has declared that those areas will have priority for whatever foreign exchange becomes available. The United States has extended $28 million in tied credits for the importation of agricultural goods, and further assistance during 1976 and 1977 is a strong possibility. Ongoing investment projects such as the Inga-Shaba power project, for which the U.S. Export-Import Bank in May approved $68 million in loans and guarantees, and the GECAMINES copper expansion project, which has its financing already secured, will offer some remaining opportunities for U.S. exporters.

U.S. Share Of Imports Into Selected Countries

Area and country	1974 Imports			January through latest month	1975 Imports		
	From world	From U.S.	U.S. share	Latest month	From world	From U.S.	U.S. share
	(million dollars)		%		(million dollars)		%
WESTERN HEMISPHERE							
Barbados	204	39	19.3	Sept.	159	31	19.4
Bermuda	155	69	44.4	[1]	[1]	[1]	[1]
Guadeloupe	230	11	4.9	Sept.	224	9	4.1
Guyana	254	65	25.7	Sept.	232	68	29.4
Martinique	293	14	4.6	Sept.	259	11	4.3
Paraguay	198	18	9.1	Dec.	213	25	11.7
Uruguay	460	36	7.8	Dec.	516	54	10.4
WESTERN EUROPE							
Cyprus	408	26	6.3	Dec.	309	10	3.3
Iceland	535	42	7.9	Dec.	489	45	9.3
Ireland	3,814	247	6.5	Dec.	3,766	271	7.2
Malta	361	21	5.9	Dec.	378	30	8.0
NEAR EAST							
Bahrain	1,132	80	7.1	Dec.	1,189	92	7.7
Jordan	482	55	11.3	Dec.	671	57	8.5
Oman	396	31	7.8	Dec.	676	65	9.6
Syria	1,224	36	2.9	Sept.	1,182	88	7.4
FAR EAST-SOUTH ASIA							
Bangladesh	1,096	221	20.2	Dec.	1,269	[1]	[1]
Fiji	273	12	4.3	June	124	6	5.1
Laos	65	5	7.0	[1]	[1]	[1]	[1]
New Caledonia	283	11	3.7	Mar.	85	3	3.7
Sabah	485	[2]53	[2]11.0	Sept.	1,828	139	7.6
Sri Lanka	685	22	3.2	Dec.	745	48	6.4
Viet-Nam, Rep. of	907	492	54.2	[1]	[1]	[1]	[1]
West Malaysia	3,486	328	9.4	Dec.	3,119	334	10.7
SUB-SAHARA AFRICA							
Cameroon	436	27	6.2	Sept.	443	30	6.8
Chad	87	8	9.7	[1]	[1]	[1]	[1]
Ethiopia	276	16	5.6	Dec.	311	23	7.3
Ghana	818	87	10.8	Dec.	805	[1]	[1]
Liberia	288	82	28.4	Dec.	331	104	31.5
Madagascar, Dem. Rep.	281	20	7.0	[1]	[1]	[1]	[1]
Malawi	188	6	3.1	Dec.	250	9	3.5
Mali	123	6	5.0	June	114	[1]	[1]
Mauritius	309	16	5.0	Sept.	255	12	4.9
Mozambique	462	27	5.9	July	250	12	4.7
Niger	96	12	12.8	June	38	[1]	[1]
Reunion	352	4	1.0	June	404	4	1.0
Rwanda	58	3	4.9	June	46	4	7.9
Senegal	457	28	6.1	June	290	19	6.5
Sierra Leone	224	20	9.0	Sept.	137	10	7.5
Tanzania	814	55	6.8	Dec.	899	96	10.6
Togo	119	5	4.3	May	62	2	4.0
Uganda	218	6	2.8	Dec.	193	4	2.1

Note: The selected countries are those whose total imports were valued at $50 million or more in 1974 and are not covered in the country articles in this issue. Additional countries are omitted for lack of data. In order to present comparable statistics for all countries, import data have been adjusted from an f.o.b. to a c.i.f. valuation for Paraguayan imports from the United States.

[1]Not available. [2]Estimated from partial year data.

Sources: Official trade statistics of listed countries.
International Monetary Fund, *International Financial Statistics.*

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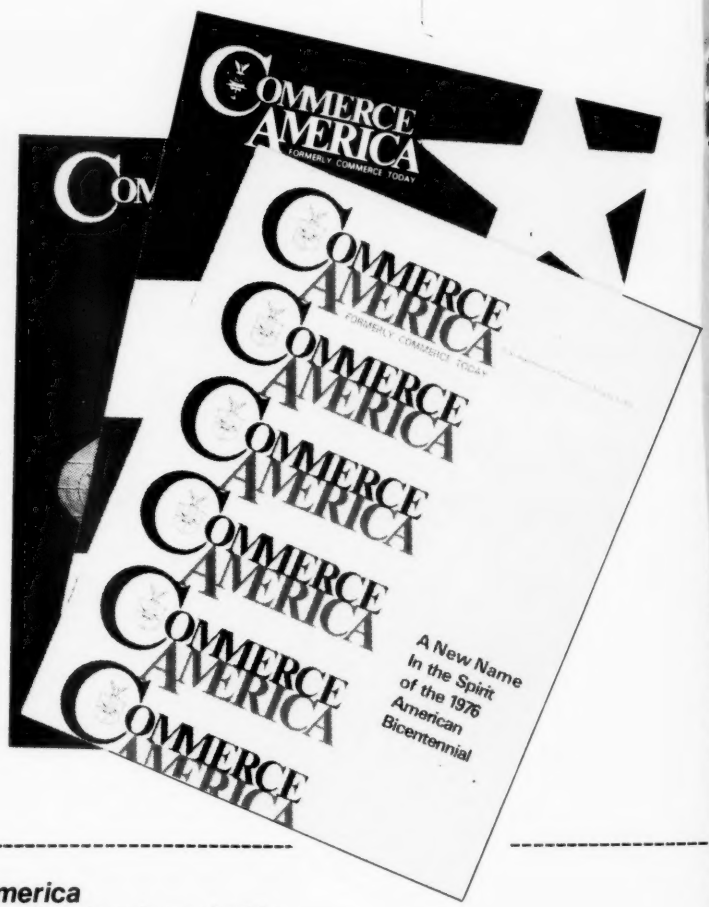

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